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Index

INDIAN ECONOMY-1

ECONOMY AN INTRODUCTION

Economy is a framework, within which economic activities are carried out, which could be investment, production and consumption etc.

The economy of India is the 10th largest in the world by nominal GDP and the 3rd largest by Purchasing Power Parity (PPP). On a per capita income basis, India ranked 140th by nominal GDP and 133rd by GDP (PPP) in 2013, according to the IMF. India is the 17th largest exporter and the 10th largest importer in the world.

Definition of Economy

An economy consists of the production, trade of distribution and consumption of limited goods and services by different agents in given geographical location. The economic agents can be individual, businesses, organizations of governments.

Types of Economy

Following are the types of economy

Traditional Economy In this type of economy, there is very little government involvement. Allocation of resources here is based on rituals, habits or customs.

Free Market Economy This type of economy also has very little governmental interference or control. Economic decisions here are made based on market principles.

Capital Economy In this type of economy, the central problems of economy i.e., there is no interference by the government and price mechanism operate through the forces of demand and supply. In the United States of America, the role of the government is minimal and thus, it is the best example of market economy.

Socialist Economy All important decisions regarding production, exchange and consumption of goods and services are made by the government. The closest example of a centrally planned economy is the Soviet Union for the major part of the 20th century.

Mixed Economy This type of economy consists of a combination of public sector and private sector units. It basically incorporate governmental involvement in market based economy.

Welfare Economy

Welfare economic analysis the total good or welfare i.e., achieve at a current state as well as how it is distributed. Amastya Sen received the Nobel Prize in economic science for his work in welfare economics.

Green Economy

It is one that results in improved human well-being and social equity, while significantly reducing environmental risks and ecological scarcities. Green economy is an economy or economic development model based on sustainable development and a knowledge of ecological economics.

Sectors of Economy

Traditionally, economies are divided into the following three sectors

Primary Sector

This sector is involved in the extraction or harvesting of products from the Earth. It includes the production of raw materials and basic foods.

Some of the activities included in this sector are as follows

- Agriculture
- Mining
- Forestry
- Fishing etc

Secondary Sector

The secondary sector of the economy is involved in the production of finished goods. All manufacturing processing and construction activities lie in this sector.

Some of the activities in this sector are as follows

- Manufacturing e.g., building
- Production e.g., cloth and bread
- Electricity, gas and water etc related works.

Tertiary Sector

The tertiary sector of the economy is also called as the service sector.

Some of the activities, which are part of this secotor are as follows

- Retail
- Banking
- Tourism
- Transport and communication
- Entertainment
- Trade etc

Core Sector

The core sector consists of eight core industries in the economy having a weight/age of 37.90% in the index of Industrial Production (IIP). These eight sectors are coal, crude oil, natural gas, petroleum refinery products, fertilizers, steel, cement and electricity.

Source Year 2012-13

World Bank Classification	GDP Per Capita (US$)
Low Income Countries	$ 1025 or less
Middle Income Countries	$ 1036 $ 4085
High Income Countries	$ 4086 $ 12615

Economic Growth and Development

Economic Growth

- It is a quantitative aspect, which generally refers to a long-term tendency reflected by an increase in the flow of goods and services produced by the economy.
- Economic growth is conventionally measured as a percentage increase in GDP or GNP or per capita NDP during 1 year. Per capita NDP is the most appropriate measure of economic growth.

$$\text{Economic Growth Rate} = \frac{NNP_2 - NNP_1}{NNP_1}$$

Where,

NNP_2 = Net national product of current year

NNP_1 = Net national product of last year

Economic Development

- It is qualitative aspect, unlike economic growth, which is a quantitative aspect. It means growth accompanied by welfare or equity.
- Economic development is a multi-dimensional measure, while economic growth emphasis on production i.e., GDP and per capita income, economic development emphasis upon welfare, equality and quality.

$$\text{Economic Development Rate} = \frac{GDP_2 - GDP_1}{GDP_1}$$

Where,

GDP_2 = Growth development product of current year

GDP_1 = Growth development product of last year

Difference between Economic Development and Economic Growth

	Economic Development	Economic Growth
Concept	Broader and normative concept.	Narrower concept than economic development.
Scope	Concerned with structural changes in the economy.	Growth is concerned with increases in the economy's output.
Growth	Development relates to growth of human capital indices, a decrease in inequality figures and structural changes that improve the general population's quality of life.	Growth relates to a gradual increase is one of the components of Gross Domestic Product: consumption, government spending, investment, net exports.
Implication	It implies changes in income, saving and investment along with progressive changes in socio-economic structure of country (institutional and technological changes).	It refers to an increase in the real output of goods and services in the country like increase in income, in savings, in investment etc.
Measurement	Qualitative (Human Development Index) HDI, Gender-Related Index (GRI), Human Poverty Index (HPI), infant mortality literacy rate etc.	Quantitative increase in real GDP shown by PPP.
Effect	Bring qualitative and qualitative change in the economic	Bring quantitative changes in the economy.

Measurement of Economic Development

There are various models to measure economic development and comparative situation of different countries.

- Purchasing power parity method
- Human development index
- Green GNP
- Net economic welfare
- Poverty Index
- Basic necessities
- Physical quality of life index
- National prosperity index
- Gender based development index

Least Developed Countries (LDCs)

- These are countries, which exhibit the lowest levels of socio-economic indicators. According to United Nations, to be classified as an LDC, a country should meet the following criteria

- ❖ **Low Income** Last 3 years, average GDP per capita should be less than US $ 905, which should exceed US $ 1086 to leave the list.
- ❖ **Human Resource Weakness** It is based on indicators of nutrition, health, education and adult literacy.
- ❖ **Economic Vulnerability** It is based on instability of agricultural production, instability of exports of goods and services and the percentage of population displaced by natural disasters.

National Income

It measures the net value of goods and services produced in a country during a year and it also includes net factor income from abroad. i.e., National Income measures the productive power of an economy in a given period to turn out goods and services for final consumption. In India, National Income estimates are related with the financial year (1st April to 31st March).

National Income can be measured by GND, GDP, GNI, NNP, NNI and per capita income. GNP and per capita income, though considered as the most standard measure of economic development have some limitation, since they exclude poverty, literacy, public health, gender equity and other measures of human prosperity.

Estimates of National Income in India

- In 1863, the first attempt was made by **Dadabhai Naoroji** in his book 'Poverty and UN-British Rule in India'. He estimated the per capita annual income to be ₹ 20.
- The first scientific attempt to measure national income in India was made by **Professor VKRV Rao** in 1931-32. He divided the Indian economy into 13 sectors.
- In 1949, **National Income Committee** under the Chairmanship of Professor PC Mahalanobis was constituted. The other members being Professor VKRV Rao and Professor DR Gadgil.
- **National Statistical Commission (NSO)** was set-up on 1st June, 2005, for promoting statistical network in the country. It was then headed by Professor SD Tendulkar.

Estimation of National Income at Current and Constant Price

National Income at Current Prices When goods and services produced by normal residents of a country in a given year are estimated at current prices, it is called national income at current prices. Current prices refer to the prices prevailing during the year for which estimates are made. Thus, it is estimation of goods and services produced during a year one the basis of the prices of the same years.

National Income at Constant Prices When goods and services produce by normal residents of country during a year are valued at fixed prices, i.e., prices of the base year, it is called notional income at constant prices.

Other Concepts of National Income

Other concepts of national income are as follows

Gross Domestic Product (GDP)

It is the money value of all final goods and services produced in the domestic territory of a country during the given time (a year). In GDP, Income generated by foreigners in a country is included, but income generated by nationals of a country. outside the country is not included.

$$GDP = C + I + G + (X - M)$$

Where,

C = Total Consumption Expenditure

I = Total Investment Expenditure

G = Total Government Expenditure

X = Export

M = Import

In GDP, income generated by foreigners in a country is included, but income generated by nationals of a country outside the country is not included.

Net Domestic Product (NDP)

It is the value of GDP after deduction of depreciation of plants and machinery from GDP.

NDP = GDP – Depreciation

Gross National Product (GNP)

It is the monetary value of all final goods and services produced by the residents of a country in year.

Net National Product (NNP)

It is the value of GNP after deducting depreciation of plant and machinery.

NNP = GNP – Depreciation

National Income (NI)

In India, Net National Income at factor cost is called National Income.

NI = NNP – Indirect taxes + Subsidies

Disposable Personal Income (DPI)

The persons will have to pay the personal tax on personal income. Any income remaining out of personal income after the payment of personal tax and some other fines is termed as disposable personal income.

DPI = Personal income – Personal tax (Income tax)

Non-tax payments (Fines)

Real National Income (RNI)

It is the actual quantity of goods and services produced. The standard of living depends very much of the qualities of goods and services produced.

NNP = GNP – Consumption of capital stock

Personal Income (PI)

It is the part of National Income, which is received by the persons including households. Therefore, to calculate personal income, some adjustments are to be made for those incomes, which are included in the national income but not actually received by the persons and there may be some income which is not included in national income but they are actually received by the persons.

PI = NNP_{FC} – Undistributed profits – Corporate tax-Net interest payments made by households + Transfer payments to the households from the government and firms.

Market Price and Facto Cost

Market Price It refers to the actual transacted price and it includes indirect, direct taxes such as excise duty, VAT, Service Tax, Custom duty etc but it excludes government subsidies.

Foctor Cost It means the total cost of all factors of production consumed or used it producing a goods or services. It includes government grants and subsidies but it excluded indirect tax.

Difference between GDP and GNP

In GDP, goods and services produced in a county is added, whether it is produced by residents of the country or foreigners. Whereas the GNP is the monetary value of all financial goods and services produced by the residents only of a country in a financial year.

Mathods of Measuring National Income

National income can be calculated by three methods are as follows

Production Method

In this method, net value of final goods and services produced in a country during a year is obtained, which is called total final product. This represents Gross Domestic Product (GDP). Net income earned in foreign boundaries by nationals is added and depreciation is subtracted from GDP.

Income Method

In this method, a total of net income earned by working people in different sectors and commercial enterprises is obtained. Incomes of both categories of people - paying taxes and not paying taxes and added to obtain national income. By income method, National Income is obtained by adding receipts as total rent, total wages, total interest and total profit.

Consumption Method

It is also called expenditure method. Income is either spent on consumption or saved. Hence, National Income is the addition of total consumption and total savings. In India, a combination of production method and income method is used for estimating National Income.

Purchasing Power Parity (PPP)

It refers to the adjustment to be made in the value of money in a country so that identical goods cost identical money in a particular currency across all countries. Per capita income should be measured in PPP terms to reflect the actual standard of living in a country.

Organisation Engaged in Measuring National Income in India

The two wings of National Statistical Organisation (NSO) is responsible for maintaining the books of National Accounts in India.

National Statistics Office (NSO)

It came into being in March, 1947. However, official statistical had been compiled and published for a long time before.

Central Statistical Organistion (CSO)

For co-ordination of statistical activities of the different Central Ministries and the State Governments and for promotion of statistical standards, the **Central Statistical Organistion** (CSO) was created in May 1951. CSO prepares national accounts, compiles and pub shes industrial statistics and conducts economic census and surveys. The Computer Centre (CC) was set-up in 1967 as an attached office of the Department of Statistics to cater to data processing needs of the Department and other Departments of the Union Government.

National Sample Survey Organisation (NSSO)

It was set-up in 1950 as a permanent survey organisation to conduct national sample surveys to assist in socio-economic planning and policy-making. The first round of NSS, covering rural India was conducted during 1950-1951.

Since, then NSSO has been conducting sample surveys on a variety of subjects and the data have been widely used by the government, social scientists and other users. The work of NSSO has won international acclaim and stimulated the creation of similar organisations in other developing countries.

- Sometimes two more **sectors-quaternary** and **quinary,** can also be considered as part of the services sector itself.
- The 2013, Human Development Report, released on 14th March, 2013 is titled "The Rise of the South: Human Development in a Diverse World".

- Service-Industry-Agriculture is the sequence of contribution to GDP in India by the various sectors of the economy in last 10 years.
- **NSO** came into being in March, 1947. However official statistics had been compiled and published for a long time before.
- **Green Index** Measures the nation's wealth according to provisions of control on greenhouse gases.

Popular Measures of Economic Development and Social Welfare

Following are the indicators to measure the economic development and social welfare

1. Human Development Index (HDI)

The United Nations Development Programme (UNDP) introduced the HDI in its first Human Development Report (HDR) prepared under the stewardship of Mahbub-ul-Haq in 1990.

It is a standard means of measuring well being. HDI measures the average achievements in a country in three basic dimensions of the human developments, a long and healthy life, access to knowledge and a decent standard of living. HDI tanks countries in relation to each other on a scale of 0 to 1.

The Human Development Index is based on these three indices and that are as follows

Life Expectancy Index (LEI)

Because infant morality is not entering this index as a separate indicator, so here refers to life expectancy at birth, not at age one.

Educational Attainment Index (EAI)

It is a combination of adult literacy rate and combined enrolment ratio. The weight assigned to Adult Literacy Rate (ALR) is two third while that for Combined Enrolment Ratio (CER) is one third. There for. educational attainment index may be given as

$$\text{EAI} = \frac{2}{3}\text{ALR} + \frac{1}{3}\text{CER}$$

Standard of Living Index (SLI)

It is represented here by a transformation of per capita income. Per capita income are converted into Purchasing Powered Parity (PPP) is dollars.

Thus, $\text{HDI} = \frac{1}{3}(\text{LEI} + \text{EAI} + \text{SLI})$

2. Physical Quality of Life Index (PQLI)

These indicators reflected that economically less developed countries are simply underdeveloped versions of industrialised countries. Morris David constructed a composite in 1979.

Three component indicators of PQLI are as follows

- Life expectancy
- Infant mortality rate and
- Basic literacy

3. Gross National Happiness (GNH)

It attempts to measure quality of life in a more holistic manner than just an economic indicator like GDP. The four pillars of GNH are promotion of sustainable development, preservation and promotion of cultural values, conservation of natural environments and establishments of good governance.

The term GNH was coined in 1972. by Bhutan's then king **Jigme Singya Wangchuck.** GNH value is proposed to be an index function of the total average per capita of the following measures

- Economic Wellness
- Physical Wellness
- Political Wellness
- Social Wellness
- Environmental Wellness
- Workplace Wellness
- Mental Wellness

4. Multidimensional Poverty Index (MPI)

It was developed in 2010, by control poverty and human development initiative and UNDP and different factors to determine poverty beyond income based list were used.

Dimensions	**Indicators**
1. Health	• Child mortality • Nutrition
2. Education	• Years of schooling • Children enrolled
3. Living Standard	• Cooking fuel • Toilet • Water • Electricity • Floor • Assets

- HDI was created by the Pakistani economist Mahbub-ul-Haq and the Indian economist **Amartya Sen** in 1990 was published by the United Nations Development Programme.
- PQLI was developed for the Overseas Development Council in the mid-1970s by **David Morris.**

- Closed economy involve neither export nor imports as the economy deem to be self sufficient. India's HDI has risen by 62% since 1980 it is 1.7% annually.

5. Global Hunger Index (GHI)

It is a multidimensional statistical tool used to describe the state of country's hunger situation. The index was adopted and furthes developed by International food policy research institute and was first published in 2006. The GHI combines there equally weighted indicators.

(i) The proportion of undernourished as a percentage of the population.

(ii) The percentage of under weight children under the age of 5.

(iii) The mortality rate of children under the age of 5.

6. The Human Poverty Index (HPI)

The UNDP introduced the Human Poverty Index. It is a combined measure using the dimensions of human life already considered in the HDI: life lenth, knowledge, a decent living standard. The index is calculated annually by the UNDP for all countries according to the availability of statistical data. It is prepared in two forms, depending on whether it is a developing (HPI-1) or an industrialised economy (HPI-2).

The Human Poverty Index for Developing Countries (HPI-1)

The following three dimensions are taken into account are as follows

1. Deprivation of longevity, measured as a percentage of the individuals with a life expectancy lower than 40 yeras.
2. Deprivation of knowledge, expressed as a percentage of illiterate adults.
3. Deprivation of decent living standards. This last indicator is made up by the simple average of three basic variables; the percentage of population without access to drinking water, the percentage of population without access to health services (P_{32}) and lastly, the percentage of underweight children aged less than 5.

The Human Poverty Index for Industrialised Countries (HPI-2)

The human poverty index for industrialised countries uses the same dimensions of the previous index, but the variables and reference values are different

- Deprivation of longevity is measured by the percentage of individuals whose life expectancy is below 60 years of age.
- Deprivation of knowledge is based on the percentage of adults functionally illiterate according to the OECD definition.
- Deprivation of decent life standards (P_3) is the percentage of the population living below the poverty level, as defined according to the criteria of the International Standard of Poverty Line, thus being equal to 50% of the per capita average national income.

7. Gender Development Index (GDI)

- It was introduced in 1995 in the Human Development Report written by the united. The Gender Development Index (GDI) is a composite indicator that measures the development of states according to the standard of living in a country.
- It is used as one of the five indicators by the United Nations Development Programme in their annual Human Development Report. It highlights inequalities in the areas of long and healthy life, knowledge and a decent standard of living between men and women.

8. National Prosperity Index (NPI)

The Prosperity Index goes beyond GDP to measure countries' success against a broad set of metrics covering areas such as health, education, opportunity, social capital, personal freedom and more.

Hence, we have evolved what is called a National Prosperity Index (NPI) which is a summation of

- Annual growth rate of GDP;
- Improvement in quality of life of the people, particularly those living below the poverty line.
- The adoption of a value system derived from out civilisational heritage in every walk of life which of unique to India.

The NPI is a summation of GDP growth, improvement is quality of life of people living below the poverty line and adoption of value system derived from our civilisational heritage in every walk of life.

The prosperity index is the only global index that measures national prosperity based on both wealth and wellbeing. The index seeks to redefine the concept of national prosperity to include, as a matter of fundamental importance, factors such as democratic governance, entrepreneurial opportunity and social cohesion.

History of Banking in India-2

Banking history of India is divided into Two major categories

1. Pre- Independence Banking history
2. Post- Independence Banking history

Pre-Independence Banking

- The origin of modern banking in India dates back to the 18^{th} century
- Bank of Hindustan was established in 1770 and it was the first bank at Calcutta under European management.
- Banking concept in India was brought by Europeans.
- In 1786 General Bank of India was set up.
- On June 2, 1806 the Bank of Calcutta established in Calcutta. It was the first Presidency Bank during the British.
- Bank of Calcutta was established mainly to fund General Wellesley's wars against Tipu Sultan and the Marathas.
- On January 2, 1809 the Bank of Calcutta renamed as the Bank of Bengal.
- In 1839, there was a fruitless effort by India merchants to establish a Bank called Union Bank but it failed within a decade.
- On 15^{th} April, 1840 the second presidency Bank was established in Bombay-Bank of Bombay.
- On 1 July 1843 the Bank of Madras was established Madras, now Chennai. It was the third Presidency Bank during the British Raj.
- Allahabad Bank which was established in 1865 and working even today.
- The Oldest Public Sector Bank in India having branches all over India and serving the customer for the last 145 years is Allahabad Bank. Allahabad Bank is also known as one of India's Oldest Joint Stock Bank.
- These Presidency Banks worked as quasi central banks in India for many years under British Rule.
- The Comptoire d'Escompte de Paris opened a branch in Calcutta in 1860.
- HSBC established itself in Bengal in 1869
- Calcutta was the most active trading port in India, mainly due to the trade of the British Empire, and so became a banking Centre.
- The Oldest Joint Stock Bank of India was bank of Upper India established in 1863 but this bank was become defunct in 1913.
- In 1881, Oudh Commercial Bank was established at Faizabad it was the first Bank of India with Limited Liability to be managed by Indian Board. After Independence, in 1958 this bank failed.
- In 1895 Punjab National Bank was established in Lahore in Punjab province of Undivided India. It was the first bank purely managed by Indian. PNB has not only survive but also become the second largest public sector bank in India.
- The first Indian commercial bank which was wholly owned and managed by Indians was central bank of India which was managed by Indians was Central Bank of India which was established in 1911.
- Central bank of India was also called India's First Truly Swadeshi bank.
- The Swadeshi movement inspired local businessmen and political figures to found banks of and for the Indian community. The period between 1906 and 1911 thousands of Banks were established in India. Many of those banks established then have survived to the present such as Bank of India, Corporation Bank, India Bank, Bank of Baroda, Canara Bank and Central Bank of India.
- At least 94 banks in India failed between 1913 and 1918 due to economic crisis during World War I.
- In 27^{th} January, 1921 Bank of Calcutta, Bank of Madras and Bank of Bombay were amalgamated to form Imperial Bank of India.
- In 1926 Hilton-Young Commission submitted it's report.
- In 1934 Reserve Bank of India act was passed.
- On the recommendation of Hilton-Young Commission, On 1^{st} April 1935 Reserve Bank of India was established.
- RBI was established with initialshare capital worth ₹ 5 Crore with 5 Lakh ₹ 100 share dividend.

Post-Independence Banking History

Immediately after the Independence, the partition of India in 1947 adversely impacted the economies of Punjab of West Bengal by paralyzing banking activities for months With end of British rule in India marked the end of a regime of the Laissez-faire for the Indian banking sector.

The Government of India initiated measures to play an active role in the economic life of the nation, and the Industrial Policy Resolution adopted by the government in 1948 envisaged a mixed economy. To streamline the functioning and activities of commercial banks, the government of India has came up with the Banking Companies act, 1949 The Reserve Bank of India, India's central banking authority, was nationalized on January 1, 1949 under the terms of the Reserve bank of India (Transfer to Public Ownership) Act, 1948 The Reserve Bank of India was vested with major powers for supervision of banking in India as he central banking authority.

The Banking Regulation Act also provided that no new bank or branch of an existing bank could be opened without a license from the RBI, and no two banks could have common directors.

During those days, the general public had lesser confidence in Banking. As an aftermath, the deposit mobilization process was very slow. Moreover, the saving bank facility provided by postal department was considered comparatively safer than banks, and funds were largely given to traders.

Post- Independence Banking History can be classified into two major categories:

1. Bank Nationalization in India
2. Bank Liberalization in India

1. Bank Nationalisation in India

In India, the Banking Sector has been dominated by Government or Public Sector Banks (PSBs) for last 64 years. In 1954 the All India Rural Credit Survey committee submitted its report recommending, creation of a strong, integrated, state-sponsored, state-partnered commercial banking institution with an effective machinery of branches spread all over the country, The recommendation of this committee led to establishment of first Public Sector Bank in the name of State Bank of India on July 01, 1955 by acquiring the substantial part of share capital by Reserve Bank of India, of then Imperial Bank of India. Similarly during 1956-59, as a result of reorganization of princely states, the State Bank of India associate Bank came into fold of Public sector banking.

On July 19, 1969, the Govt. promulgated Banking Companies (Acquisition and Transfer of Undertakings) ordinance 1969 to acquire 14 bigger commercial banks with deposits over 50 crores. The main objective behind this bank nationalisation was to spread banking infrastructure in rural India and make cheap finance available to Indian farmers.

The second phase of bank nationalisation took place in 1980 during the prime ministerial tenure of Indira Gandhi, in which 6 more banks were nationalised with deposits over 200 crores.

List of Nationalised Banks in India

1. Allahabad Bank
2. Andhra Bank
3. Bank of Baroda
4. Bank of India
5. Bank of Maharashtra
6. Canara Bank
7. Central Bank of India
8. Corporation Bank
9. Dena Bank
10. Indian Bank
11. Indian overseas Bank
12. Oriental Bank of Commerce
13. Punjab and Sind Bank
14. Punjab National Bank
15. Syndicate Bank
16. UCO Bank
17. Union Bank of India
18. United Bank of India
19. Vijay Bank

Bank Liberalisation in India

Liberalisation in banking sector in India noticed in early 1990s' when India adopted a new economic policy for the development of the nation. Narasimha Rao government embarked on a policy of liberalization, licensing a small number of private banks. For the first time in India new private banks got license for providing banking service. These banks came to be known as the New Generation tech-savvy banks.

The first bank in India set up after the adaptation of new liberalization policy in banking sector was Global Trust Bank. It was later amalgamated with Oriental Bank of Commerce. The list of bank set up after new liberalization policy includes Global Trust Bank, UTI Bank (Now known as Axis Bank), ICICI Bank and HDFC Bank.

This move towards the Liberalisation along with the rapid economic growth in India, re-energize the banking sector in India. Indian banking sector has noticed rapid growth with strong contribution from all sector of banks- government banks, private banks and foreign banks.

The next stage for the Indian banking sector has been set up with the proposed relaxation in the norms for Foreign Direct Investment (FDI). All Foreign Investors in banks can holds up to 7.4% with some restrictions of the company.

Stages of Development of Banks in India-3

Reserve Bank of India (RBI)

- Reserve Bank of India Act passed in 1934
- Reserve Bank of India (RBI) established on 1 April 1935.
- Reserve Bank of India (RBI) established on the recommendation of Hilton- Young Commission.
- Hilton-Young Commission submitted its report in the year 1926.
- Initially RBI was constructed as a Private Share holders' bank with fully paid-up capital of ₹ 5 Crores.
- RBI was nationalize in the year of 1st January, 1949.
- RBI is a statutory body.
- RBI is the sole authority in India to issue Bank notes in India.
- RBI can issue currency notes as much as the country requires, provided it has to make a security deposit of ₹ 200 crores, out of which ₹ 115 crores must be in gold and ₹ 85 crores must be FOREX Reserves.
- Emblem of RBI: Panther and Palm tree.
- Initially the headquarter of RBI was in Calcutta (Now Kolkata) but in 1937 it was permanently moved to Mumbai, Maharastra.
- The Reserve Bank of India has 19 regional offices, most of them in state capitals and 9 sub-offices.
- The Executive head of RBI is known as Governor.
- The governor is associated by Four Deputy Governors.
- The bank has also two training colleges for its officers, viz. Reserve Bank Staff College at Chennai and College of Agriculture Banking at Pune.
- RBI is a member bank of the Asian Clearing Union.
- Chintaman Dwarkanath Deshmukh (C D Deshmukh) was the governor of RBI at the Time of nationalization of RBI in 1949.
- C D Deshmukh, then Governor of RBI, represented India at the Bretton Woods nagotiations in 1944.
- 1st women Deputy Governor of RBI-K.J. Udeshi.
- RBI is not a Commercial Bank.
- RBI prints currency in 15 Languages.
- RBI is a member of IMF (International Monetary Fund).
- At present there are total 90 bank in the second schedule of Reserve Bank of India Act, 1934. [Latest inclusion-Bhartiya Mahila Bank]

Present Governor of RBI and Deputy Governor of RBI

The executive head of Reserve Bank of India (RBI) is known as the Governor, the governor is assist by four deputy Governor.

Governor: Newly Appointed Governor of Reserve Bank of India (RBI) is Raghuram Rajan who replaced Duvvuri subbarao on September 4, 2013.

Name : Raghuram Rajan (New Appointment, Replaced D. Subbarao)

Appointed on : On 4 September 2013.

List of Deputy Governor

1. **Name** : Shri H.R. Khan
2. **Name :** Urijit Patel (New Appointment, Replaced Subir Gokarn.)
3. **Name :** Shri R. Gandhi (Appointed on April 3, 2014.)
4. **Name :** Post Vacant**.** (Dr. K.C Chakrabarty depart early from his post on April 25,2014).

Female Deputy Governors of Reserve Bank of India

Female Deputy Governors of the Reserve Bank of India (RBI). First Female/Women/Lady Deputy Governors of the RBI. List of Female Deputy Governors of the Reserve Bank of India (RBI). Female Deputy Governor of Reserve Bank of India.

1. **K J Udeshi :** (10.06.2003 to 12.10.2005)

   K J Udeshi becomes the first women RBI deputy governor. K J Udeshi has been appointed the deputy governor of the Reserve Bank of the India (RBI). She is the first women deputy governor of the RBI. The appointment is till 12 October 2005 when she completes 62 years of age.

2. **Shyamala Gopinath :** (21.09.2004.to 08.09.2009, 09.09.2009 to 20.06.2011)

   Shyamala Gopinath is the former deputy governor of the Reserve Bank of India (RBI). Gopinath served as deputy governor of Reserve Bank of India from September 21,2004 to June 20, 2011. She was the second lady deputy governor of RBI.

3. **Smt Usha Thorat :** (10.11.2005 to 09.11.2010)

   Usha Thorat served as Deputy Governor of the reserve bank of India(RBI) from November 10, 2005 to November 8, 2010. Prior to this she was the executive Director of the RBI.

RBI Monetary Policy, RBI Functions and RBI Rates

Reserve bank of India (RBI) is the central banking institution of India. RBI control the monetary policy Rupee as a sole controller. RBI also controls the liquidity (flow of money) in Indian Market by Changing its Policy rates and Reserve ratios. RBI have three rates: bank Rate, CRR, SLR. Different RBI Rates: (As of June,3 2014).

- Bank Rate (9%)
- Cash Reserve Ratio (4%)
- Statutory Liquidity Ratio (22.5%, with effect from the fortnight beginning June 14, 2014)
- Base Rate
- Marginal standing facility (MSF)-9%

Repo rate and Reverse Repo rate

Repo (Repurchase) rate is the rate at which the RBI lends shot-term money to the banks. When the repo rate increases borrowing from RBI becomes more expensive.

Therefore, we can say that in case, RBI wants to make it more expensive for the banks to borrow money, it increases the repo rate. Similarly, if it wants to make it cheaper for banks to borrow money, it reduces the repo rate. Reverse repo rate is the rate at which banks park their short-term excess liquidity with the RBI.

The RBI uses this tool when it feels there is too much money floating in the banking system. An increase in the reverse repo rate means that the RBI will borrow money from the banks at a higher rate of interest. As a result, banks would prefer to keep their money with the RBI. As of April 1, 2017:

Policy Repo Rate : 6.25%

Reverse Repo Rate : 6.00%

Bank Rate

Bank rate is the rate at which central bank of the country, in India it is the Reserve Bank of India (RBI), allows finance/liquidity to commercial/scheduled banks within the territory of India.

RBI uses Bank Rate as a toolfor short-term measures. Any up ward revision in Bank rate is an indication that banks should also increase the deposit rates as well as the Prime Lending Rate.

Any revision in the Bank rate indicates more or less interest on your deposites and also an increase or decrease in your EMI.

Bank Rate (Non-Bankers point of view)

This is the rate at which RBI lends money to other banks or financial institutions. If the bank rate goes up, long-term interest rates also tend to move up,and If the bank rate up, and If the bank rate goes down, long term interest rates also tend to move down.

Thus, it can said that in case bank rate is hiked, in all likelihood banks will hikes their own lending rates to ensure and they continue to make a profit.

Present Bank Rate of RBI: 6.50% (As of April 1, 2017)

Cash Reserve Ratio

Every commercial/scheduled bank in India has to keep certain minimum amount of cash reserves with Reserve Bank of India (RBI)

Reserve Bank of India uses CRR as a tool to increase or decrease the reserve requirement depending on whether RBI wants to increase or decrease in the Money supply. RBI can vary cash Reserve Ratio (CRR) rate between 3% and 15% An increase in CRR will make it mandatory for the banks to hold a large proportion of their deposits in the form of deposits with the RBI.

This will reduce the amount of Bank deposits and they will lend less as they have less amount as their reserve.

This will in turn decrease the money supply. If RBI wants to increase money supply it may reduce the rate of CRR and it will allow the banks to keep large amount of their deposit with themselves and they will lend more money.

It will increase the money supply. For example: When someone deposits ₹ 100 in a bank, it increase the deposit of banks by ₹100 and if the cash reserve ratio is 9% the banks will have to hold additional ₹ 9 with RBI and bank will be able to use only ₹ 91 for investments and lending/ credit purpose. Therefore, higher the ratio (i.e CRR) the lower is the amount that banks will be able to use for lending and investment. RBI uses CRR to control liquidity in the banking system.

The Reserve bank of India (Amendment) Bill, 2006 has been enacted and has come into force with its gazette notification. Consequent upon amendment to sub-section 42(1), the Reserve Bank, having regard to the needs of securing the monetary stability in the country, can prescribe Cash Reserve Ratio (CRR) for scheduled banks without any floor rate or ceiling rate. (Before the enactment of this amendment, in terms of section 42 (1) of the RBI Act, the reserve bank could prescribe CRR for scheduled banks between 3 per cent and 20 per cent of total of their demand and time liabilities).

- Present cash Reserve Ratio (CRR) is 4 %

Statutory Liquidity Ratio

SLR-Apart from the cash Reserve Ratio, scheduled banks in India are required to maintain, at the close of business every day, a minimum proportion of their Net Demand and Time Liabilities, liquid assets in the from of gold, cash and approved securities.

The ratio of liquid assets to demand and time liabilities is known as Statutory Liquidity Ratio(SLR). Reserve Bank of India is empowered to increase statutory Liquidity Ratio (SLR) up to 40% An increase in SLR also reduces their (Bank's) capacity to grant loans and advances, thus it is an anti-inflationary impact.

SLR (Non Bankers point of view)

SLR stands for statutory Liquidity Ratio. This term is used by bankers and indicates the minimum percentage of deposits that the bank has to maintain in form of gold, cash or other approved securities. Thus, it is ratio of cash and some other approved to liabilities (deposits) it regulates the credit growth in India.

Current SLR Rates

The present SLR is 20% (reduced from earlier 21%on June 3, 2014 with effect from the fortnight beginning June 14, 2017).

Banking and Financial System in India

The banking, non-banking and financial system in India comprises of the following types of institutions:

1. **Commercial Banks :** There are four types of commercial Banks in India. (a) Public sector Banks (b) Private Sector Banks (c) Foreign Sector (d) Cooperative Banks/ Institutions. Cooperative Banks/institutions are of three types (i) Urban Cooperative Banks (ii) State Cooperative Banks (iii) Central Cooperative Banks
2. **Financial Institutions :** there are three types of Financial Institutions in India and they are (a) All-India Financial Institutions (AIFIs) (b) State Financial Corporations (SFCs) (c) state Industrial Development Corporations (SIDCs).
3. **Non Banking Financial Companies (NBFCs) :** Non Banking Financial Companies are fast emerging as an important segment of Indian Financial system. This group performing financial intermediation in many ways. The most important part is that these companies raise funds from public directly or indirectly and lend them to the ultimate spenders.

➢ Structure of Commercial Banking in India

Bank is an institutions that accepts deposits from the public, mobilizes their savings and keeps the same under its custody, these deposits can be withdrawn by cheques or ATMs or any other available methods. Banks lends money to those who need it and also performs diverse agency functions and also create credit.

Commercial banks are the institutions that accept deposits from the people and advances loans. Commercial Banks a;sp create credit. In India, such banks alone called commercial banks which are established in accordance with the provision of the Banking Regulation Act,1949.

Commercial banks may be a scheduled banks or Non-scheduled banks. Scheduled banks is classified into two big category based on the ownership of the bank.

(i) Public sector Banks

(ii) Private sector Banks

Public Sector Banks is again divided into three category and they are (i) Nationalized Banks,(ii) State Bank of India and it's Associate Group and (iii) Regional Rural Banks.

Private Sector Banks is also classified into three category (i)Old Private Banks (ii) New Private Banks (iii) Foreign Banks

Non-Banking financial companies (NBFCs)

Non-Banking Financial Companies (NBFCs) are fast emerging as an important segment of India financial system. It is an heterogeneous group of institutions other than commercial and co-operative banks performing financial intermediation in a variety of ways, like accepting deposits, making loans and advances, leasing, hire purchase etc.

NBFCs raise funds from the public directly or indirectly and lend them to the ultimate spenders. They advances loans to the various wholesale and retail traders, small-scale industries and self employed persons. Thus they have broadened and diversified the range of products and services offered by a financial sector.

Difference between NBFCs and Banks

- An NBFCs can't accept demand deposits.
- An NBFCs is not a part of the payment and settlement system and as such an NBFCs cannot issue cheques drawn on itself.
- Deposit insurance facility of deposit insurance and credit, guarantee corporation is not available for NBFC depositors unlike in case of Banks.

Public Sector Banks in India

Public sector Banks is the major player in the Indian Banking Sector with 92% of countries banking segment is under state control. In India, the public sector banks are divided into three categories-State Bank Group, Nationalised Banks, Regional Rural Banks.

- **State Bank Group :** This group consist of State Bank of India and Five State Bank of India Associate banks. The RBI owns the majority of the shares of the SBI and some of it's associates. State Bank of India is the first public sector bank in India. Imperial bank of India acquired by the government to form the State Bank of India in 1955.
  In 1959 the State Bank of India Subsidiary act was passed and by the virtue of this act seven princely states bank were made the subsidiary of State Bank of India. Now State Bank of India has only five subsidiary as two of it subsidiary bank merged with the parent concern
- **Nationalised Bank :** In 1969 the government of India effected the nationalization of 14 scheduled commercial banks in order to expand the branch network followed by six more bank in 1980. Total 20 commercial banks were nationalized in two bank nationalization process but in 1993 New Bank of India was merged with Punjab National Bank.
- **Regional Rural Banks :** In 1975, the state bank group and nationalized banks were required to sponsor and set up Regional Rural Banks in partnership with individual states to provide low cost financing and credit facilities to the rural masses. On the recommendation of the Banking Commission (1972), on October 2, 1975 five Regional Rural Bank were established. Their main function is to provide financial help to small and marginal farmers and rural workers to help the rural economy to grow.

List of private Banks in India

India Private Banks

1. Bank of Rajasthan Ltd.
2. Bharat Overseas Bank Ltd.
3. Catholic Syrian Bank Ltd.
4. Federal Bank Ltd.
5. Dhanalakshmi Bank Ltd.
6. Jammu and Kashmir Bank Ltd.
7. Karnataka Bank Ltd.
8. Karur Vysys Bank Ltd.
9. City Union Bank Ltd.
10. Lakshmi Vilas Bank Ltd.
11. Nainital Bank Ltd.
12. Ratnakar Bank Ltd.
13. South Indian Bank Ltd.
14. Tamilnadu Mercantile Bank Ltd.
15. ING Vysya Bank Ltd.
16. ICICI Bank Ltd.
17. Axis Bank Ltd.
18. IndusInd Bank Ltd.
19. Yes Bank Ltd.
20. SBI Commercial and International Bank Ltd.
21. HDFC Bank Ltd.
22. Development Credit Bank Ltd.
23. Kotak Mahindra Bank Ltd.

Foreign Private Banks in India

1. The Royal Bank of Scotland
2. Abu Dhabi Commercial Bank
3. American Express Bank Ltd.
4. Bank of America, NA
5. Bank of Bahrain Kuwait BSC
6. Mashreq Bank PSC
7. Bank of Nova Scotia
8. Bank of Tokyo Mitssubishi UFJ Ltd.
9. CitiBank N.A.
10. Deutsche Bank
11. HSBC Ltd.
12. Societe Generale
13. Sonali Bank
14. BNP Paribas Bank
15. Barclays Bank p.l.c.
16. DBS Bank Ltd.
17. Bank International Indonesia
18. Arab Bangladesh Bank Ltd.
19. Standard Chartered Bank
20. State Bank of Mauritius Ltd.
21. Bank of Ceylon
22. Cho Hung Bank
23. China Trust Commercial Bank
24. Krung Thai Bank plc.
25. Antwerp Diamond Bank N.V.
26. JP Morgan Chase Bank
27. Mizuho Corporate Bank Ltd.
28. Oman International Bank SAOG
29. Credit Agricole Corporate and Investment Bank

➢ Scheduled Banks in India

Scheduled Banks in India are those banks which have been included in the Second Scheduled of Reserve Bank of India (RBI) Act, 1934. Reserve Bank of India (RBI) in turn includes only those banks in this schedule which satisfy the criteria mentioned on section 42 (6) (a) of the Reserve Bank of India Act 1934.

Criteria for a Scheduled Banks

- Scheduled Banks are those banks whose minimum paid up capital and reserve and amount to 25 lakh.
- These bank have to submit details of their activities to the Reserve Bank of India every week.
- These banks listed on the second schedule of the Reserve Bank of India Act. 1934.

There are three types of Scheduled Bank in India and they are :

Scheduled Commercial Banks in India are categorized into five different groups according to their ownership and nature of operation. These bank groups are

- State Bank of India and its Associates,
- Nationalised Banks,
- Regional Rural Banks,
- Foreign Banks
- Other India Scheduled Commercial Banks (in the private sector).

Total Number of Scheduled Bank in India

As of May 21, 2014 there are total 90 Scheduled banks in India. Bharatiya Mahila Bank (BMB) on May 21,2014 included in the second schedule of RBI Act 1934.

Public Sector Scheduled Banks in India

The Public Sector Scheduled Banks in India consist of 19 Nationalised Bank, State Bank of India and It's five (5) associates and IDBI. Public Sector Banks (PSBs) are banks where a majority stake (i.e. more than 50%) is held by a government. The shares of these banks are listed on stock exchanges.

There are total 27 public sector scheduled Banks in India :

1. Allahabad Bank
2. Andhra Bank
3. Bank of Baroda
4. Bank of India
5. Bank of Maharashtra
6. Bhartiya Mahila Bank
7. Canara Bank

8. Central Bank of India
9. Corporation Bank
10. Dena Bank
11. IDBI Bank
12. Indian Bank
13. Indian Overseas Bank
14. Oriental Bank of Commerce
15. Punjab National Bank
16. Punjab & Sind Bank
17. Syndicate Bank
18. UCO Bank
19. Union Bank of India
20. United Bank of India
21. Vijay Bank

SBI and associate banks

1. State Bank of India
2. State Bank of Bikaners Jaipur
3. State Bank of Hyderabad
4. State Bank of Mysore
5. State Bank of Patiala
6. State Bank of Travancore

- State Bank of Saurashtra (merged into SBI in 2008).
- State Bank of Indore (merged into SBI in 2010).

Private sector scheduled Banks in India

The Private Sector Scheduled Banks in India are the Privately own banks which are listed under the second scheduled of RBI Act 1934. Here is the list of Private Sector Scheduled Banks in India.

1. Axis Bank Ltd.
2. Bank of Punjab Ltd.
3. Bank of Rajasthan
4. Catholic Syrian Bank
5. Centurion Bank Ltd.
6. City Union Bank
7. Development Credit Bank
8. Dhanlaxmi Bank
9. Federal Bank Ltd.
10. HDFC Bank Ltd.
11. ICICI Banking Corporation Bank Ltd.
12. Indus Ind Bank
13. ING Vysya Bank
14. Jammus Kashmir Bank
15. Nainital Bank, estb. 1954
16. Karnataka Bank
17. Karur Vysys Bank
18. Kotak Mahindra Bank
19. Lakshmi Vilas Bank
20. Saraswat Bank
21. South Indian Bank Ltd.
22. Tamilnadu Mercantile Bank Limited
23. Yes Bank

Scheduled Foreign Banks in India

The Foreign banks came in India only after the liberalisation in India banking sector in 1991. There are around 45 Scheduled Foreign Banks doing business in India. Foreign Banks have their registered and head office in a foreign country but operate their branches in India. The RBI permits these banks to operate either through branches or through wholly-owned subsidiaries.

These are some Foreign Scheduled Bank in India

- American Express Bank Ltd.
- ANZ Bank
- Bank of American NT SA
- Bank of Tokyo Ltd.
- Banque National de Paris
- Barclays Bank PIc
- Citi Bank
- Deustche Bank AG
- Hongkong and Shanghai Banking corporation
- The Royal Bank of Scotland
- The Chase Manhattan Bank Ltd.
- Standard Chartered Bank
- ABN AMRO Bank

State Bank of India (SBI)

- State bank of India is the largest Indian banking and financial services company by yearly turnover and total assets.
- The headquarters of SBI is in Mumbai, India
- SBI is a state owned Bank.

➢ Presidency Banks during British Raj

- Bank of Bengal was established in 1806 in Kolkata. It was the first presidency bank of India.
- Two other presidency bank was established, Bank of Bombay in 1840 and Bank of Madras in 1843.
- These three banks were private shareholders' bank.
- East India Company also contributed to the share capital of each of them.
- The bulk of the share capital had come from private shareholders mostly Europeans.
- These banks were given monopoly of Govt. Banking-After 1823.
- These three banks received the exclusive right to issue paper currency in 1861 with the Paper Currency Act.
- Presidency Banks were amalgamated into the Imperial Bank of India (IBI) which was established in 27 January, 1921.

➢ After Independence

- According to the parliamentary Act, State Bank of India Act (1955), Imperial Bank of India (IBI) was acquired by the Reserve Bank of India.
- On 30 April 1955 RBI renamed Imperial Bank of India (IBI) as State Bank of India
- State Bank of India (Subsidiary Banks) Act passed in 1959.
- **In 1959, eight banks were converted as associate banks of SBI:**

1. State Bank of Bikaner
2. State Bank of Jaipur
3. State Bank of Hyderabad
4. State Bank of Indore
5. State Bank of Mysore
6. State Bank of Saurashtra
7. State Bank of Patoila
8. State Bank of Travancore

- In 1963, State Bank of Bikaner and State Bank of Jaipur were merged to From State Bank of Bikaner and Jaipur (SBBJ)
- In 2008, State Bank of Saurashtra was merged with the parent Bank- SBI
- In 2010, State Bank of Indore was merged with SBI.
- The total number of Associate Banks of SBI currently working in India- Five (5)
- State Bank of India has 137 foreign offices in 32 countries across the globe.
- As of 31st March, 2014: SBI has 43,515 ATMs.
- As of 31st March, 2014: SBI group (including associate banks) has 51,491 ATMs.
- As of 31st Match, 2014: SBI has 15,869 branches.
- 25,000th ATM of SBI was inaugurated by the then chairman ao state Bank Shri O.P. Bhatt on 31 March 2011, the day of his retirement.
- 10000th branch in March, 2008 in Sivaganga District by P. Chidambaram.
- Finance Ministers Chidambaram inaugurated the 15000th Branch of SBI at Sooranam Village, Sivaganga District, Tamil Nadu on 17th August 2013 in the presence of Pratip Chaudhuri, Chairman.
- On October 7, 2013, Arundhathi Bhattacharay became the first woman to be appointed Chairperson of the bank.

Slogans of SBI

1. With you all the way
2. Pure banking nothing else
3. The Banker to every Indian
4. The Nation banks on us

Awards of SBI

1. SBI won the Best Bank award in the SIAMONEY FX POLL OF POLLS 2014' for best overall performance as domestic provider of Forex services over the last 10 years.
2. SBI was ranked as the top bank in India based on tier 1 capital by The Banker magazine in a 2014 ranking.
3. SBI won "Best Public Sector Bank" award in the D & B India's study on 'India's Top Banks 2013.
4. State Bank of India won three IDRBT Banking Technology Excellence Awards 2013 for "Electronic Payment Systems" , "Best use of technology for Financial Inclusion", and "Customer Management & Business Intelligence" in the large bank category.
5. SBI was ranked 298th in the Fortune Global 500 rankings of the world's biggest corporations for year 2012.
6. SBI won National Award for its performance in the implementation of Prime Minister's Employment Generation Programme (PMEGP) scheme for the year 2012.
7. SBI was named the 29th most reputed company in the world according to Forbes 2009 rankings.

Co Operative Banks in India

Co-Operative Banks in India is created to financing needs of agriculture, retail trade, small industry and self-employed business in urban, semi-urban and rural areas. A distinctive feature of the co-operative credit structure in India is its heterogeneity. The co-operative banking structure is differ from Urban, Rural and states. Urban areas are served by Rural Co-Operative Banks , Rural Areas are served by Rural Co-Operative Banks and State Co-Operative bank serves the whole state. The Co-Operative banking sector is the oldest segment of the Indian Banking System.

In recent years Reserve Bank of India and National Agriculture and Rural Development Bank (NABARD) have taken several important steps to improve the co-operative Banking system in India.

There are total six types of co-operative banks are working in India and they are:

- Primary Agriculture Credit Societies
- Central Co-Operative Bank
- State Co-Operative Bank
- Primary Co-Operative Agriculture and Rural Development Banks
- State Co-Operative Agriculture and Rural Development Banks
- Urban co-operative Banks

As per march 2009 report, In India, there are around 1721 Urban co-operative banks and 1119 Rural co-operative Banks.

List of co-operative Banks in India

Scheduled Urban Co-Operative Banks : in India, at present, there are total 53 scheduled Urban Co-Operative banks in India.

1. Ahmedabad Mercantile Co-Operative Bank Ltd.
2. Kalupur commercial Co-Operative Bank Ltd.
3. Madhavpura Mercantile Co-Operative Bank Ltd.
4. Mehsana Urban Co-Op Bank Ltd.
5. Nutan Nagrik Sahakari Bank Ltd.
6. Rajkot Nagrik Sahakari Bank Ltd.
7. Sardar Bhiladwala Pardi Peoples Co-Operative Bank Ltd.
8. Surat peoples Co-Operative Bank Ltd.
9. Amanath Co-Operative Bank Ltd.
10. Andhra Pradesh Mahesh Co-Operative Urban Bank Ltd.
11. Charminar Co-Operative Urban Bank Ltd.
12. Vasavi Co-Operative Urban Bank Limited.
13. Indian Mercantile Co-Operative Bank Ltd.
14. Abhyudaya Co-Operative Bank Ltd.
15. Bassein Catholic Co-Operative Bank Ltd.
16. Bharat Co-Operative Bank (Mumbai) Ltd.
17. Bharati Sahakari Bank Limited
18. Bombay Mercantile Co-Operative Bank Limited
19. Citizen credit Co-Operative Bank Ltd.
20. Cosmos Co-Operative Urban Bank Ltd.
21. Dombivli Nagari Sahakari Bank Ltd.
22. Goa Urban Co-Operative Bank Limited
23. Gopinath Patil Parsik Janata Sahakari Bank Ltd.
24. Greater Bombay Co-Operative Bank Limited
25. Jalgaon Janata Sahakari Bank Ltd.
26. Janalaxmi Co-Operative Bank Ltd.
27. Janakalyan Sahakari Bank Ltd.
28. Janata sahakari Bank Ltd.
29. Kallappanna Awade Ichalkaranji Janata Sahakari bankltd.
30. Kalyan Janata Sahakari Bank Ltd.
31. Karad Urban Co-Operative Bank Ltd.
32. Mahanagar Co-Operative Bank Ltd.
33. Mapusa Urban Co-Operative Bank of Goa Ltd.
34. Nagar Urban Co-Operative Bank Ltd.
35. Nasik Merchant's Co-Operative Bank Ltd.
36. New India Co-Operative Bank Ltd.
37. NKGSB Co-Operative Bank Ltd.
38. Pravara Sahakari Bank Ltd.
39. Punjab Maharashtra Co-Operative Bank Ltd.
40. Rupee Co-Operative Bank Ltd.
41. Sangli Urban Co-Operative Bank Ltd.
42. Saraswat Co-Operative Bank Ltd.
43. Shamrao Vithal Co-Operative Bank Ltd.
44. Solapur Janata Shakari Bank Ltd.
45. Thane Bharat Shakari Bank Ltd.
46. Thane Janata Sahakari Bank Ltd.
47. The Kapol Co-Operative Bank Ltd.
48. Zoroastrian Co-Operative Bank Ltd.
49. Nagpur Nagrik Sahakari Bank Ltd.
50. Shikshak Sahakari Bank Ltd.
51. The Akola Janata Commercial Co-Operative Bank Ltd.
52. The Akola Urban Co-Operative Bank Ltd.
53. The Khamgaon Urban Co-Operative Bank Ltd.

➢ State Co-Operative Banks

In India, at present, there are total 31 State Co-Operative banks.

1. The Andaman and Nicobar State Co-Operative Bank Ltd.
2. The Andhra Pradesh State Co-Operative Bank Ltd.
3. The Arunachal Pradesh State Co-Operative Apex Bank Ltd.
4. The Assam Co-Operative Apex Bank Ltd.
5. The Bihar State Co-Operative Bank Ltd.
6. The Chandigarh State Co-Operative Bank Ltd.
7. The Delhi State Co-Operative Bank Ltd.
8. The Goa State Co-Operative Bank Ltd.
9. The Gujarat State Co-operative Bank Ltd.
10. The Haryana State Co-Operative Apex Bank Ltd.
11. The Himachal Pradesh State Co-Operative Bank Ltd.
12. The Jammu and Kashmir State Co-operative Bank Ltd.
13. The Karnataka State Co-operative Apex Bank Ltd.
14. The Kerala State Co-Operative Bank Ltd.
15. The Madhya Pradesh Rajya Sahakari Bank Maryadit.
16. The Maharashtra State Co-operative Bank Ltd.
17. The Manipur State Co-operative Bank Ltd.
18. The Meghalaya Co-operative Apex Bank Ltd.
19. The Mizoram Co-operative Apex Bank Ltd.
20. The Nagaland State Co-operative Bank Ltd.
21. The Orissa State Co-operative Bank Ltd.
22. The Pondichery State Co-operative Bank Ltd.
23. The Punjab State Co-operative Bank Ltd.
24. The Rajasthan State Co-operative Bank Ltd.
25. The Sikkim State Co-operative Bank Ltd.
26. The Tamil Nadu State Apex Co-operative Bank Ltd.
27. The Tripura State Co-operative Bank Ltd.
28. The Uttar Pradesh Co-operative Bank Ltd.
29. The West Bengal State Co-Operative Bank Ltd.
30. The Chhattisgarh Rajay Sahakari Bank Ltd.
31. The Uttaranchal Rajya Sahakari Bank Ltd.

Note: As of March 2011, In India there are total 1592 Non-Scheduled Urban Co-operative banks existed.

NABARD

National Bank for Agriculture and Rural Development (NABARD) in an apex development bank in India. The Committee to Review Arrangements for Institutional Credit for Agriculture and Rural Development (CRAFICARD) under the Chairmanship of Shri B. Sivaraman, conceived and recommended the establishment of the National Bank for Agriculture and Rural Development (NABARD).

The Committee to Review Arrangements for Institutional Credit for Agriculture and Rural Development (CRAFICARD) was set up by the Reserve Bank of India (RBI) NABARD was established on 12 July 1982 by a special act by the parliament.

The main objective behind the set up of NABARD was to uplift rural India by increasing the credit flow for elevation of agriculture & rural non farm sector.

Government of India holds 99% stake. In NABARD and currently 1% is held by the RBI. Initially, the RBI held 72.5 per cent of equity in NABARD but in October, 2012 the Reserve Bank of India (RBI) has divested 71.5 percent stake amounting to ₹ 1430 crore in National Bank for Agriculture and Rural Development (NABARD) in favour of the government.

NABARD is active in developing financial inclusion policy and is a member of the Alliance for Financial Inclusion.

NABARD replaced the Agricultural Credit Department (ACD) and Rural Planning and Credit Cell (RPCC) of Reserve Bank of India, and Agricultural Refinance and Development Corporation (ARDC).

Headquarters of NABARD is situated in Mumbai, Maharashtra, India. The Present Chairman of NABARD is Dr. Harsh Kumar Bhanwala . (As of May 1, 2014).

➢ Remember

- National Bank for Agriculture and Rural Development (NABARD) is an apex development bank in India.
- NABARD was established on the recommendations of Shivraman Committee.
- NABARD was established by an act of Parliament on 12 July 1982 to implement the National Bank Agriculture and Rural Development Act 1981.
- NABARD replaced the Agricultural Credit Department (ACD) and Rural Planning and Credit Cell (RPCC) of Reserve Bank of India, and Agricultural Refinance and Development Corporation (ARDC).
- Headquarters of NABARD is situated Mumbai, Maharashtra, India.
- NABARD completed its 25 years on 12 July 2007 and Completed its 30 year in 12 July, 2012.
- NABARD announced Rural Innovation award to celebrate it's 30the foundation day.

➢ Non Performing Assets (NPA)

A Non-performing asset (NPA) is defined as a credit facility in respect of which the interest and /or instalment of principal has remained 'past due' for a specified period of time. Non-performing assets are one of the talking points of banks in their performance reports. Almost all banks in India is suffering from the problem of NPA. Here we have discussed the concept of Non-performing Assets.

- An Assets, including a leased asset, become an NPA when it ceases to generate income for the bank.
- An NPA is a loan or an advance where; the Interest and/or Installment of principal remain overdue for a period of more than ninety days is respect of a term loan.
- An account remains 'out of order' as indicated in the article below, in respect of an overdraft/cash credit (OD/CC).
- A bill remains overdue for a period of more than ninety days, in the case of bills purchased and discounted.
- An installment of the principal or the interest thereon remain overdue for one crop season for long duration crops.
- Banks should classify and account as an NPA only if the interest charged during any quarter is not serviced fully within ninety days from the end of the quarter.

'Out of Order' status

An account is treated as 'out of order', if the outstanding balance remains continuously in excess of the sanctioned limit/ drawing power. In cases, where the outstanding balance in the operating account is less than the sanctioned limit/drawing power, but there are not credit continuously for ninety days as on the date of balance sheet or credits are not enough to cover the interest debited during the same period, these accounts should be treated as 'out of order'.

Categories of NPAs

Banks are required to classify non-performing assets into the following three categories based on the period for which the asset has remained non-performing and reliability of the dues:

- **Substandard Assets :** An assets which remained a NPA for a period less than or equal to twelve months (With Effect from March 31, 2005).
- **Doubtful Assets :** An assets would be classified as doubtful assets if it has remained as Substandard Assets for more than twelve months (With Effect from March 31, 2005).
- **Loss Assets :** A loss assets is one, where the bank of internal or external auditors or the RBI inspection has identified the loss but the amount has not been written off wholly. In other

words, such little value that it's continuance as a bankable asset is not warranted although there may be some salvage or recovery value.

➢ Gross Domestic Product (GDP)

Gross Domestic Product (GDP) is the market value of all final goods and services produced within a country in a given period of time. GDP is the basic measure of the country's economic performance over a given period.

Measurement of GDP

GDP is measured by three basic approaches:

1. Expenditure approach
2. Income approach
3. Value based approach

Types of GDP

Real GDP is the production of goods and services valued at constant prices whereas nominal GDP is the production of goods and services valued at current prices.

Need to measure both real and nominal GDP

Now when the totals pending increases in a given period it points towards two happenings, either the goods or services are sold at higher prices (i.e., inflation has increased) or the total output of goods and services have increased. While studying economy, economist tries to separate these two effects. Hence they measure the real GDP which allows them to find whether production of goods and services has increased or decreased over the periods.

Components of GDP

GDP is a variable which depends upon four other variables. These variables from Components of GDP

GDP = C + I + G + NX

C = total consumption

I = gross investment

G = Government spending

NX = exports less imports

Consumption is spending by households on good and services. Here we do not include purchase of new housing.

Investment is spending on inventories. Equipments and purchase of new housing Government spending includes spending on goods and services by state and central government Net exports spending on the domestic products by foreigners less spending on foreign products by locals.

➢ RuPay Card

RuPay is the Indian domestic card payment network set up by National Payments Corporation of India (NPCI) at the behest of banks in India. The RuPay project had been conceived by Indian Banks Association (IBA) and had the approval of Reserve Bank of India (RBI).

National Payments Corporation of India (NPCI) has a plan to provide a full range of card payment services including the RuPay ATM, RuPay Micro ATM, Debit, Prepaid and Credit Cards which will be accepted in India and abroad, across various channels like POS, Internet, IVR and mobile etc.

The initial focus of NPCI would be to approach those banks who have not been issuing any payment card at all more specifically-Regional Rural Banks (RRBs) and urban co-operative banks.

All Public Sector Undertakings (PSU) banks set to join RuPay system by the end of year 2012. RuPay-based debit cards can be used by the consumers on the Internet from September, 2012.

The government of India had launched India's first domestic payment card network, Rupay, to compete with Visa Inc and Mastercard Inc.

Objectives of RuPay

The Main Objective of the RuPay payment network project is to reduce the overall transaction cost and develop products appropriate for financial inclusion.

- Reduce overall transaction cost for the banks in India by introducing competition to international card schemes.
- Develop products appropriate for the country particularly for financial inclusion.
- Provide card payment service option to many banks who are currently not eligible for card issuance under the eligibility criteria of international card schemes.
- Build environment whereby payment information of the country remains within the country Shift Personal Consumption Expenditure (PCE) from cash to electronic payments in growing economy with a population of 1.2 billion.

➢ Remember

- RuPay is the Indian domestic card payment network.
- The Rupay payment network set up by National payments corporation of India (NPCI) at the behest of banks in India.
- The main objective of RuPay project is to reduce overall transaction cost for the banks in India by introducing competition to international card schemes.
- NPCI has plan to provide full range of credit service like RuPay ATM, RuPay MicroATM, Debit, Prepaid and Credit Cards which will be accepted across various channel POS, Internet, IVR, Mobile etc.
- All state-owned banks are expected to join the RuPay system by the end of this year.
- RuPay-based debit cards can be used by the consumers on the Internet from September, 2012.

- RuPay card is accepted at all ATMs (1.6 lakh plus), 95 percent of PoS terminals (9.45 lakh plus) and most of the eCom merchants (about 10,000) in the country.

Nair Committee Report on Priority Sector Lending

The Reserve Bank of India, the central bank of India, on February 21, 2012 has released the report of the Committee (Chairman: MV Nair, Chairman, Union Bank of India) constituted to re-examine the existing classification and suggest revised guidelines with regard to priority sector lending and related issues.

The Reserve Bank India had constituted the Committee under the chairmanship of M.V. Nair on August 25, 2011 pursuant to the announcement made in the Monetary Policy Statement 2011-12.

The Major Recommendations of Nair Committee are:

- The sector 'agriculture and allied activities' maybe a composite sector within priority sector, by doing away with distinction between direct and indirect agriculture. The targets for agriculture and allied activities may be 18 percent of Adjusted Net Bank Credit (ANBC) or credit equivalent of off-balance sheet exposure (CEOBE), whichever is higher.
- A sub target for small and marginal farmers within agriculture and allied activities is recommended, equivalent to 9 percent of ANBC or CEOBE, whichever is higher to be achieved in stages by 2015-16.
- The MSE sector may continue to be under priority sector. Within MSE sector, a sub target for micro enterprises is recommended equivalent to 7 percent of ANBC or CEOE, whichever is higher to achieved in stages by 2013-14.
- The priority sector targets for foreign banks may be increased to 40 percent of ANBC or CEOBE, whichever is higher with sub-target of 15 percent for exports and 15 percent for MSE sector, within which 7 percent may be earmarked for micro enterprises.
- Bank loans to non-bank financial intermediaries for on lending to specified segments may be allowed to be reckoned for classification under priority sector, up to a minimum of 5 percent of ANBC of CEOBE, whichever is higher, subject to certain due diligence and documentation standards.

PUBLIC SECTOR BANKS

➢ Canara Bank

- Ammembal Subba Rao Pai established Canara Hindu Permanent Fund in Mangalore, India, on 1 July 1906.
- In 1910 the Bank changed it's name to Canara Bank Limited.
- Canara Bank Limited was incorporated in 1990.
- In 1958, the Reserve Bank of India ordered Canara Bank to acquire G. Raghumathmul Bank, In Hyderabad.
- G. Raghumathmul Bank was established in 1870 and converted into limited company on 1925.
- G. Raghumathmul Bank had five branch at the time of acquisition.
- On 19 July 1969 government of India nationalised Canara Bank Limited and it renamed as Canara Bank after nationalization.
- In 1976, Canara Bank inaugurated its 1000th branch.
- In 1996 Canara Bank became the first Indian Bank to get ISO certification for "Total Branch Banking" for its Seshadripuram branch in Bangalore.
- In 2005 Canara Bank achieved 100% Branch computerization.
- In 2006 Canara Bank entered 100th Year in Banking Service.

➢ Punjab National Bank

- On 19 May 1894 Punjab National Bank was registered under Act VI of Indian Companies Act 1882.
- Punjab National Bank (PNB) was established in Lahore in 1895 (12 April, 1895).
- Headquarters of Punjab National Bank is located in New Delhi, India.
- First Chairman & MD of Punjab National Bank was Sardar Dayal Singh Majithia.
- At the time of nationalisation the Chairman and MD of Punjab National Bank was Somesh Chandra Trikha.
- Punjab National Bank is one of the four largest bank in India and second largest public sector bank in India.
- The first bank purely managed by Indian was Punjab National Bank.
- In 1940 PNB absorbed Bhagwan Dass Bank, a scheduled bank located in Delhi Circle.
- In 1951 Punjab National Bank acquired the 39 branches of Bharat Bank (est. 1942) and Bharat Bank became Bharat Nidhi Ltd.
- In 1961 Punjab National Bank acquired Universal Bank of India.
- In 1962, PNB amalgamated the Indo-Commercial Bank with it.
- In 1986 Punjab National Bank (PNB) acquired Hindustan Commercial Bank (est. 1943) in a rescue.
- In 1993 Punjab National Bank took over Nedungadi Bank, the oldest private sector bank in Kerala.
- Punjab National Bank was ranked 1243 in the Forbes Global 2000.
- Punjab National Bank has more than 5100 offices including 5 overseas branches.
- PNB receives Best Bank Award-2011.
- PNB receives the FIBAC 2011 'Most Productive Public Sector Bank' award.
- **Present Slogan of PNB :** The Name you can Bank Upon.

Allahabad Bank

- Allahabad Bank started operation in 1865.
- The head-quarters of Allahabad Bank is in Kolkata.
- Allahabad Bank has a network of 2500 branches across the country.
- In 24 April 1865 A group of Europeans at Allahabad founded Allahabad Bank.
- In 19 July 1969 The Indian Government nationalized Allahabad Bank, together with 13 other banks.
- In October 1989 Allahabad Bank acquired United Industrial Bank which was established in 1940.
- Allahabad Bank established All Bank Finance Ltd in 1991. It is a wholly owned Merchant Banking subsidiary.
- In October 2002 Allahabad Bank came out with an Initial Public Offering (IPO) that reduce government holding in this bank to 77.16%
- In June 2006 Allahabad Bank opened its first office outside India when it opened a representative office Shenzen, China.
- In February 2007 Allahabad Bank opened its first overseas branch, in Hong Kong.

Bank of Baroda

- Bank of Baroda Founded on 1908.
- Sir Sayajirao Gaekwad III, The Maharajah o Baroda, founded the bank on 20 July 1908 in the princely State of Baroda, In Gujrat.
- The Headquarters of Bank of Baroda is in Vadodara, India.
- Bank of Baroda is the third largest bank in India.
- Bank of Baroda is ranked 763 in Forbes Global 2000 list.
- Bank of Baroda has a network of over 3409 branches and offices, and about 1657 ATMs.
- In 1957 Bank of Baroda established a branch in London.
- In 1959 Bank of Baroda acquired Hind Bank.
- In 1961 Bank of Baroda merged in New Citizen Bank of India. This merger helped it increases it branches network in Maharashtra.
- In 1969 Government of India Nationalized Bank of Baroda.
- In 1988 BOB acquired Traders Bank, which had a branch network in Delhi.
- In 1998 BOB also acquired Punjab Cooperative Bank in a rescue.
- In 2010 Bank of Baroda, Indian Overseas Bank and Andhra Bank jointly opened a Bank India BIA Bank (Malaysia) in Malaysia.
- In 2010 BOB opened a branch In New Zealand.
- Bank of India has the highest number of branches and offices Outside.

Andhra Bank

- **Established :** Nov 23, 1923
- **Founder :** Dr. B Pattabhi Sitaramayya
- **Head Office :** Hyderabad
- **Nationalization :** Apr 15, 1980

Andhra Bank is medium-sized public sector bank, with a network of around 2000 branches.

Dr. Bhogaraju Pattabhi Sitaramayya founded Andhra Bank in 1923 in Machilipatnam, Andhra Pradesh. The Bank was registered On Nov 20, 1923 and commenced business on Nov 28, 1923 with a paid up capital of 1.00 lakh and an authorized capital of 10.00 lakh.

In the second phase of nationalisation of commercial banks commenced in April 1980, the bank became a wholly owned Government bank. In 1964, the bank merged with Bharat Lakshmi Bank and further consolidated its position in Andhra Pradesh.

Andhra Bank was a pioneer in introducing Credit Cards in the country in 1981.

India First Life Insurance Company is a joint venture between Bank of Baroda (44%), Andhra Bank (30%) and UK's financial and investment company Legal & General (26%).

Bank of India

- **Established :** Sept 7, 1906
- **Head Office :** Mumbai
- **Nationalization:** July 19, 1969

Beginning with one office in Mumbai, with a paid-up capital of ₹ 50 lakh and 50 employees, the Bank has made a rapid growth over the years and blossomed into a mighty institution with strong national presence and sizable international operations. In business volume, the Bank occupies a premier position among the nationalized banks.

BOI is a founder member SWIFT (Society for Worldwide Inter Bank Financial Telecommunications), which facilitates provision of cost-effective financial processing and communication services. The Bank completed its first one hundred years of operations on Sept 7, 2006.

Bank of Maharashtra

- **Established :** 1935
- **Head Office :** Pune
- **Nationalization:** July 19, 1969

The Bank was registered on Sept 16, 1935 with an authorized capital of ₹ 10.00 lakh and commenced business on Feb 8, 1936. Known as a common man's bank since inception, its initial help to small units has given birth to many of today's industrial houses.

After nationalization in 1969, the bank expanded rapidly. It now has 1421 branches all over India. The Bank has the largest network of branches by any Public sector bank in the state of Maharashtra.

The Bank attained autonomous status in 1998. It helps in giving more and more services with simplified procedures without intervention of Government.

Central Bank of India

- **Established :** Dec 21, 1911
- **Founder :** Sir Sorabji Pochkhanawala
- **Head Office :** Mumbai
- **Nationalization:** July 19, 1969

Established in 1911, Central Bank of India was the first Indian commercial bank, which was wholly owned and managed by Indians. Sir Pherozesha Mehta was the first Chairman of a truly 'Swadeshi Bank'.

During more than 100 years of its history, the Bank has weathered many storms and faced many challenges. The Bank could successfully transform every threat into business opportunity and excelled over its peers in the Banking industry.

Among the Public Sector Banks, Central Bank of India can be truly described as an All India Bank, due to distribution of its large network in 27 States as also in 4 Union Territories in India.

The Bank has one overseas office, which is a joint venture with Bank of India, Bank of Baroda, and the Zambian government. The Zambian government holds 40 percent stake and each of the banks has 20 percent.

Corporation Bank

- **Established :** 1906
- **Head Office :** Mangalore
- **Nationalization:** Apr 15, 1980

Started with an initial capital of just ₹ 5000, Corporation Bank has been the forerunner when it came to evolving and adapting to the financial sector reforms. In 1997, it became the second Public Sector Bank in the country to enter capital market, the IPO of which was over-subscribed by 13 times.

The Bank has many "firsts" to its credit- Cash Management Services, Gold Banking, m-Commerce, " Online" approvals for Educational loans, 100% CBS Compliance and more recently, its pioneering efforts to take the technology to the rural masses in remotest villages through low-cost branchless banking - Business Correspondent model.

Dena Bank

- **Formerly :** Devkaran Nanjee Banking Company Ltd.
- **Established :** 1938
- **Founder :** Pran Lal Devkaran Nanjee
- **Head Office :** Mumbai
- **Nationalization:** July 19, 1969

Dena Bank was founded on May 26, 1938 by the family of Devkaran Nanjee under the name Devkaran Nanjee Banking Company Ltd. It became a Public Ltd. Company in December 1939 and later the name was changed to Dena Bank Ltd.

It is one among six Public Sector Banks selected by the World Bank for sanctioning a loan of ₹72.3 crore for augmentation of Tier-II Capital under Financial Sector Developmental project in the year 1995. It is also one of the few banks to receive the World bank loan for technological upgradation and training.

Indian Bank

- **Established :** 1907
- **Head Office :** Chennai
- **Nationalization:** July 19, 1969

Established on August 15, 1907 as part of the Swadeshi movement, the bank has overseas branches in Colombo, Jaffna in Sir Lanka, Singapore, and 229 correspondent banks in 69 countries.

In 1990, Indian Bank rescued Bank of Tanjore (Bank of Thanjavur;est 1901). with its 157 branches, based in Tamil Nadu.

A multi-crore scam was exposed in 1992, where then chairman M. Gopalkrishnan lent to small corporates and exporters from the south amounting to 13 billion. The amount was never paid back by the borrowers.

BANKS-PUNCHLINES

- **Allahabad Bank -** A traditions of trust
- **Andhra Bank -** For all your needs
- **Bank of Baroda-** India's International Bank
- **Bank of Maharashtra-** One family one bank
- **Bank of India-** Relationship beyond banking
- **Canara Bank-** Together we can
- **Central Bank Of India-** Build a better life around us
- **Corporation Bank-** Prosperity for all
- **Dena Bank-** Trusted Family Bank
- **Indian Bank-** Your tech friendly Bank
- **Indian Overseas Bank-** Good people to grow with
- **Oriental Bank of Commerce-** Where every individual is committed
- **Punjab National Bank-** The name you can bank upon
- **Punjab and Sind Bank-** To strive to achieve excellence in customer service

- **Syndicate Bank-** Faithful and friendly
- **United Commercial Bank-** Honours your trust
- **Union Bank of India-** Good people to bank with
- **United Bank of India-** The bank that begins with ? U ?
- **Vijaya Bank-** A friend you can bank on
- **State Bank of India-** With you all the way
- **State Bank of Hyderabad-** Modern Innovative dependable
- **State Bank of Mysore-** Working for a better tomorrow
- **State Bank of Patiala-** Blending modernity with tradition
- **State Bank of Travancore-** Since 1945- a long tradition of trust
- **ICICI Bank-** Hum Hai Na
- **IDBI Bank-** Banking for all
- **HSBC Bank-** World's local bank
- **HDFC Bank-** We understand your world
- **Bank of Rajasthan-** Together we prosper
- **Yes Bank-** Experience our expertise
- **Jammu and Kashmir Bank-** Serving to empower
- **Lakshmi Vilas Bank Limited-** The changing face of prosperity
- **Karur Vysya Bank-** Smart way to Bank
- **Deutshe Bank-** A passion to perform
- **South Indian Bank Limited-** Experience Next Generation Banking

Indian Overseas Bank

- **Established :** Feb 10, 1937
- **Founder :** M Chidambaram Chettyar
- **Head Office :** Chennai
- **Nationalization :** July 19, 1969

Indian Overseas Bank was founded with the twin objectives of specializing in foreign exchange business and overseas banking.

IOB had the unique distinction of commencing business on the inaugural day (Feb 10, 1937) itself in three branches simultaneously-at Karaikudi and Chennai in India and Rangoon in Burma (presently Myanmar) followed by a branch in Penang Malaysia.

IDBI Bank

- **Formerly : Industrial Development Bank of India**
- **Established :** July 1, 1964
- **Founded by :** Govt. of India
- **Head Office :** Mumbai
- **Nationalization :** 1969

The Industrial Development Bank of India Limited (IDBI) was established in 1964 by an Act of Parliament to provide credit and other facilities for the development of the fledgling Indian industry.

RBI has categorised IDBI as an "other public sector bank".

IDBI Bank is on par with nationalized banks and the SBI Group as far as government ownership is concerned. It is one among the 26 commercial banks owned by the Government of India.

It is currently the tenth largest development bank in the world. Some of the institutions build by IDBI are the Securities and Exchange Board of India (SEBI), National Stock Exchange and of India (NSE), the National Securities Depository Limited (NSDL), the Stock Holding Corporation of India Limited (SHCIL), the Credit Analysis & Research Ltd., the Exim bank (India), the Small Industries Development Bank of India (SIDBI) and the Entrepreneurship Development Institute of India.

In 2006, IDBI Bank acquired United Western Bank in a rescue. At the time of the merger, United Western had some 230 branches spread over 47 districts in 9 states.

Remember

- The Industrial Development Bank of India (IDBI) was established on July 1, 1964 under an Act of Parliament as a wholly owned subsidiary of the Reserve Bank of India.
- On Feb 16, 1976, the ownership of IDBI was transferred to the Government of India and it was made the principal financial institution for coordinating the activities of institutions engaged in financing, promoting and developing industry in the country.
- Although Government shareholding in the Bank came down below 100% following IDBI's public issue in July 1995, the former continues to be the major shareholder (current shareholding: 75%)
- IDBI provides financial assistance, both in rupee and foreign currencies, for green-field projects as also for expansion. modernisation and diversification purpose.
- In the wake of financial sector reforms unveiled by the government since 1992.
- IDBI also provides indirect financial assistance.

Oriental Bank of Commerce

- **Established :** 1943
- **Founder :** Raibahadur Lala Sohan Lal
- **Head Office :** New Delhi
- **Nationalization :** Apr 15, 1980

The Bank has witnessed many ups and downs since its establishment. The period of 1970-76 is said to be the most challenging phase in the history of the Bank. At one time, profit plummeted to ₹175, that prompted the owner of the bank, the Thapar House, to close the bank. Then employees and leaders of the Bank came forward to rescue the Bank. The owners were moved and had to change their decision selling the bank and in turn they decided to improve the position of the bank with the active cooperation and support of all the employees. Their efforts bore fruits and performance of the bank improved significantly. This was the turning point in the history of the bank.

The bank was nationalised on April 15, 1980. At that time total working of the bank was 483 crores having 19th position among the 20 nationalised banks. Within a decade the bank turned into one of the most efficient and best performing banks of India.

On Aug 14, 2004, Global Trust Bank Limited (GTB) was amalgamated into OBC. GTB was a leading private sector bank in India that was associated with various financial discrepancies leading to a moratorium being imposed by RBI shortly before being merged into OBC.

➢ Punjab and Sind Bank

- **Established :** 1908
- **Head Office :** New Delhi
- **Nationalization :** Apr 15, 1980

It was in the year 1908, when a humble idea to uplift the poorest of poor of the land culminated in the birth of Punjab & Sind Bank with the far-sighted vision of luminaries like Bhai Vir Singh, Sir Sunder Singh Majitha and Sardar Tarlochan Singh. The bank was founded on the principle of social commitment to help the weaker section of the society in their economic endeavors to raise their standard of life.

➢ Syndicate Bank

- **Established :** 1925
- **Founder:** U.A. Pai, Vaman Kudva & Dr T.M.A. Pai
- **Head Office :** Manipal, Karnataka
- **Nationalization:** July 19, 1969

Syndicate Bank was established with the prime objective to extend financial assistance to the local weavers who were crippled by a crisis in the handloom industry through mobilizing small savings from the community.

Initially, the bank collected as low as two annas from the door steps of the depositors daily through its agents. This type of system wherein the agents of the bank come doorsteps to collect deposit is still prevailing in India and is referred to as the Pigmy Deposit Scheme.

At the time of its establishment, the bank was known as Canara Industrial and Banking Syndicate Limited. The bank, along with 13 major commercial banks of India, was nationalized on July 19, 1969.

Syndicate Bank sponsored the first Regional Rural Bank in India by the name Prathama Bank, in Moradabad district of Uttar Pradesh on October 2, 1975.

➢ UCO Bank

- **Formerly :** United Commercial Bank Ltd.
- **Established :** 1943
- **Head Office :** Kolkata
- **Nationalization :** July 19, 1969

UCO Bank, formerly United Commercial bank, established in 1943 in Kolkata, is one of the oldest and major commercial banks of India. Ghanshyam Das Birla, the doyen of Indian Industrial renaissance, during the historic Quit India movement of 1942, had conceived the idea of organising a commercial bank with Indian capital and management, and the United Commercial Bank Limited was incorporated to give shape to that idea.

The Bank was started with Calcutta as its Head Office with an issued capital of ₹ 2 crores and a paid-up capital of October ₹ 1 crore.

The bank, along with 13 major commercial banks of India, was nationalised on July 19, 1969.

Its name was changed to UCO Bank, in 1985, by an act of Indian Parliament as a bank in Bangladesh existed with the name ''United Commercial Bank' Which caused confusion in the international banking arena.

As of 6 January 2013 the bank had 2550 Service Units spread all over India, with four overseas branches two each in Singapore and Hong Kong. The Bank has 44 Zonal Offices spread all over India.

➢ Union Bank of India

- **Formerly:** 1919
- **Head Office :** Mumbai
- **Nationalization :** July 19, 1969

Union Bank of India (UBI) was registered on Nov. 11, 1919 as a limited company in Mumbai and was inaugurated by Mahatma Gandhi. At the time of India's independence in 1947, UBI still only had four branches-three in Mumbai and one in Saurashtra, all concentrated in key trade centres.

After independence, UBI accelerated its growth and by the time the government nationalized it in 1969, it had grown to 240 branches in 28 states.

➢ United Bank of India

- **Formerly :** United Bank of India Ltd
- **Established : 1950**

- **Head Office : Kolkata**
- **Nationalization : July 19, 1969**

The predecessor of the bank, the United Bank of India Ltd. was formed in 1950 with the amalgamation of four banks, viz., Comilla Banking Corporation Ltd. (1914), Bengal Central Bank Ltd. (1918), Comilla Union Bank Ltd. (1922) and Hooghly Bank Ltd. (1932), The origin of the Bank thus goes back as far as 1914.

Presently the Bank has a three-tier organisational set-up consisting of the Head Office, 28 Regional Offices and 1450 branches.

➢ Vijaya Bank

- **Established :** 1931
- **Founder :** A.B. Chetty
- **Head Office :** Bangalore
- **Nationalization :** Apr 15, 1980

Vijaya Bank was established by Attavara Balakrishna Shetty at Bunts Hostel in Mangalore on October 23, 1931. Since it was established in Vijayadashami Day, it was named ' Vijaya Bank'.

The objective was to promote banking habits, thrift and entrepreneurship among the farming community of Dakshina Kannada district in Karnataka State.

The bank became a scheduled bank in 1958.

Vijaya Bank steadily grew into a large All India bank, with nine smaller banks merging with it during 1963-68. The bank was nationalised on April 15, 1980.

➢ Talking ATM in India

The specially designed Automated Teller Machine (ATM) which can be operated independently by a visually impaired person, know as "Talking ATM'. A Talking ATM is a type of automated teller machine (ATM) that provides audible instructions so that persons who cannot read an ATM screen can independently use the machine. All audible information is delivered privately through a standard headphone jack on the face of the machine or a separately attached telephone handset. Information is delivered to the customer either through pre-recorded sound files or via text-to-speech synthesis.

Talking ATM Machine in India

In India, Reserve Bank of India (RBI) has directed all commercial banks that all new ATMs installed after July 1, 2014 should be as talking ATMs with Braille keypads and Banks should lay down a road map for converting all existing ATMs as talking ATMs with Braille keypads.

A differently-able person using Talking ATM.

➢ **Remember**

- Which Bank established First Talking ATM in India?
  - Union Bank of India (Union Bank)
- Which city gets the countries first Talking ATM?
  -Ahmedabad
- Which State gets the countries first Talking ATM?
  -Gujrat
- Talking ATM Specially designed for ____ People? **-Blind**
- Who inaugurate countries first Talking ATM?
  -Then Chairman and Managing Director (CMD) of UBI, D Sarkar.
- Talking ATM has what kind of Speciallnterface?
  - Voice Interface
- Which was the second bank to launch Talking ATM in India?
  -State Bank of India

Foreign Direct Investment (FDI) Limit in India

Present Foreign Direct investment (FDI) Limits in India. Sector-wise FDI ceiling/ limits in India. FDI or Foreign Direct Investment means net inflows of investment to acquire a lasting management interest in an enterprise operating in an economy other than that of the investor.

➢ List of FDI limit of All Sectors

Hotels and Tourism, Roads and Highway, Education, Advertisement, Farm sector, Petro Chemical, Pharmaceuticals, Coal and Lignite-100%

- **FDI in Multi Brand retail :** Allowed FDI in Multi brand retail-51%
- **FDI in Single Brand retail :** Allowed FDI in Single brand retail-100%
- **FDI in Courier Service :** Allowed FDI in Courier Service-100%
- **FDI in Telecom Sector-** Allowed FDI in Telecom-100%
- **FDI in Asset Reconstruction Sector :** Allowed FDI in Asset Reconstruction-100%
- **FDI in Power Exchanges :** Allowed FDI in Power-Exchanges-49%
- **FDI in Petroleum Refining :** Allowed FDI in Petroleum Refining-49%
- **FDI in Civil Aviation sector :** Allowed FDI in Civil Aviation-49%
- The Civil Aviation sector includes Airports, Scheduled and Non-Scheduled domestic passenger airlines, Helicopter service/Seaplane services, Ground Handling services, Maintenance and Repair organization; Flying training institutes; and Technical training institutions.
- **FDI in Insurance Sector :** Allowed FDI in Insurance Sector-49%

- FDI in the Insurance sector, as prescribed in the Insurance Act 1999, is allowed under the automatic route.
- **FDI in Defence Sector :** Allowed FDI in Defence Sector-26%
- FDI in defence industry subject to Industrial license under the Industries (Development and Regulation) Act 1951 would be allowed up to 26% through government approvalroute.
- **FDI in Print Media :** Allowed FDI in Print Media-26%
- Publishing of Newspaper and periodicals dealing with news and current affairs-26%. Publication of Indian editions of foreign magazines dealing with news and current affairs-26%.
- **FDI in Broadcasting Sector :** FM Radio Stations 20%, Cable Network 49%, Direct-to-Home (d2h) Services-49%
- FDI limit in Headend-In-The Sky (HITS) Broadcasting Service-74% (total direct and indirect foreign investment including portfolio and FDI) Automatic upto 49%Government route beyond 49% and up to74%.
- Setting up hardware facilities such as up-linking, HUB etc.-49%
- **FDI in Agriculture Sector :** FDI up to 100% is permitted, under the automatic route, subject to certain conditions mentioned in Consolidated FDI Policy, in the following agricultural activities: Floriculture, Horticulture, Apiculture and Cultivation of Vegetables & Mushrooms under Controlled conditions: Development and production of Seeds and planting material: Animal Husbandry (Including breeding of dogs), Pisciculture, Aquaculture, under controlled conditions; and Services related to agro and allied sectors.
- 100% FDI is also permitted in tea sectors.
- Tea plantation-49%
  Besides the above, FDI is not allowed in any other agricultural sector/activity
- **FDI In Credit Information Companies:** Allowed FDI in Credit Information Companies-74%
- **FDI in Stock Exchanges, Depositors:** Allowed FDI in Stock Exchanges, depositors-49%
- FDI In Banking Sector in India: New (After August, 2011)-49%
- Allowed FDI in Private Sector Banks-74%
- FDI in private banking sector of India is allowed up to 74% where FDI up to 49% is allowed through automatic route and FDI beyond 49% but up to 74% is allowed through government approvalroute.
- Allowed FDI in Public Sector Banks-49%
- Limit for FDI in public sector banks in the case of nationalized banks as well as SBI and its associate banks, the overallstatutory limit of 20 per cent as FDI and portfolio investment will continue.

Note: If we missed anything or any figure is wrong please comment below we will add/rectify it.

➢ Foreign Institutional Investor (FII)

Foreign Institutional Investor (FII) means "an institution established or incorporated outside India which proposes to make investment in India securities, real property and other investment assets'. In India Foreign Institutional Investor (FII) refers to outside companies investing in the Indian Financial Markets.

India opened its stock market to Foreign Institutional Investors (FII) in September 1992. Since 1993, India received portfolio Investment from foreigners in the from of Foreign Institutional Investment (FII) in equities. In order to trade in India equity market, all Foreign Institutional Investors (FII) must register with the securities and Exchange Board of India (SEBI) which is the regulator for the securities market in India. One who propose to invest their proprietary funds or on behalf of "broad based" funds or of foreign corporates and individual and belong to any of the under given categories can be registered for FII.

- Pension Funds
- Mutual Funds
- Investment Trust
- Insurance or reinsurance companies
- Endowment Funds
- University Funds
- Foundations or Charitable Trusts or Charitable Societies who propose to invest on their own behalf, and Asset Management Companies
- Nominee Companies
- Institutional Portfolio Managers
- Trustees
- Power of Attorney Holders
- Bank

Updation of Banking System in India-4

A bank is an institution which deals with money and credit. It accepts deposits from the public, makes the funds available to those who need them, and helps in the remittance of money from one place to another, In fact, a modem bank performs such a variety of functions that it is difficult to give a precise and general definition of it. It is because of this reason that different economists give different definition of the bank.

- According to **Crowther**, "a bank collects money from those who have it to spare or who are saving it out of their incomes, and it lends this money to those who require it."
- In the words of **Kinley, "**A bank is an establishment which makes to individuals such advances of money as may be required and safely made, and to which individuals entrust money when not required by them for use."
- According to **John paget**, "Nobody can be a banker who does not (i) take deposit accounts, (ii) take current accounts, (iii) issue and pay cheques, and (iv) collects cheques-crossed and uncrossed-for its customers."
- Prof. **Sayers** defines the terms bank and banking distinctly. He defines a bank as "an institution whose debts (bank deposits) are widely accepted in settlement of other people's debts to each other."
- Again, according to **Sayers**, "Ordinary banking business consists cash for bank deposits and bank deposits for cash; transferring bank deposits from one person or corporation to another; giving bank deposits in exchange for bills of exchange, government bonds, the secured promises of businessmen to repay and so forth."
- According to the **Indian Companies Act,** 1949, banking means "the accepting for the purpose of Indian Companies lending or investment, of deposits of money from the public, repayable on demand or otherwise, and withdraw able by cheque, draft or otherwise,"

In short, the term bank in the modern times refers to an institution having the following features:

(i) It deals with money; it accepts deposits and advances loans.

(ii) It also deals with credit; It has the ability to create credit, i.e., the ability to expand its liabilities as a multiple of its reserves.

(iii) It is commercial institution; it aims at earning profit

(iv) It is a unique financial institution that creates demand deposits which serve as a medium of exchange and, as a result, the banks manage the payment system of the country.

➢ Types of Banks

The banks today offer various kinds of services to their customers and are not limited to just lending and borrowing of money to individuals and organizations.

Banks can be classified into various types on the basis of their functions, ownership, domicile, etc. The following are the various types of banks:

1. Commercial Banks

The banks, which perform all kinds of banking business and generally finance trade and commerce, are called commercial banks. Since their deposits are for a short period, these banks normally advance short- term loans to the businessmen and traders and avoid medium-term and long-term lending. However, recently, the commercial banks have also extended their areas of operation to medium-term and long-term finance. Majority of the commercial banks are in the public sector. However, there are certain private banks operating as joint stock companies. Hence, the commercial banks are also called joint stock banks.

2. Industrial Banks

Industrial banks, also known as investment banks, mainly meet the medium-term and long-term financial needs of the industries. Such long-term needs cannot be met by the commercial banks, which generally deal with short-term lending. The main functions of the industrial banks are:

(a) They accept long-term deposits.

(b) They grant long-term loans to the industrialists to enable them to purchase land, construct factory building, purchase heavy machinery, etc.

(c) They help selling or even underwrite the debentures and shares of industrial firms,

(d) They can also provide information regarding the general economic position of the economy. In India, industrial hanks, like Industrial Development Bank of India, Industrial Finance Corporation of India, Slate Finance Corporations, are playing significant role in the industrial development of the country.

3. Agricultural Banks

Agricultural credit needs are different from those of industry and trade. Industrial and commercial banks normally do not deal with agricultural finance. The agriculturists require:

(a) Short- term credit to buy seeds, fertilizers and other inputs, and

(b) Long-term credit to purchase land, to make permanent improvements and land, to purchase agricultural machinery on equipment, etc. In India, agricultural finance is generally provided by co-operative institutions. Agricultural co-operatives provide short-term loans and Land Development Banks provide the long-term credit to the agriculturists.

4. Exchange Banks

Exchange banks deals in foreign exchange and specialise in financing foreign trade.

They facilitate international payments through the sale, Purchase of bills of exchange, and thus play an important role in promoting foreign trade.

5. Saving Banks

The main purpose of saving banks is to promote saving habits among the general public and mobilise their small savings. In India, postal saving banks do this job. They open accounts and issue postal cash certificates.

6. Central Bank

Central bank is the apex institution, which controls, regulates and supervises the monetary and credit system of the country. Important functions of the central bank are :

(a) It has the monopoly of note issue;
(b) It acts as the banker, agent and financial adviser to the state;
(c) It is the custodian of member banks reserves;
(d) It is the custodian of nation's reserves of international currency;
(e) It serves as the lender of the last resort;
(f) It functions as the bank of central clearance, settlement and transfer; and
(g) It acts as the controller of credit. Besides these functions, India's central bank, i.e., Reserve Bank of India, also performs many developmental functions to promote economic development in the country.

Classification on the Basis of Ownership

On the basis of ownership, banks can be classified into three categories:

(a) Public Sector Banks : These arc owned and controlled by the government. In Indian, the nationalized banks and the regional rural banks come under these categories,
(b) Private Sector Banks : These banks are owned by the private individuals or corporations and not by the government or co-operative societies,
(c) Cooperative Banks : Cooperative banks are operated on the cooperative lines. In India, cooperative credit institutions are organised under the cooperative societies laws and play an important role in meeting financial needs in the rural areas.

Classification on the Basis of Domicile

On the basis of domicile, the banks are divided into two categories:

(a) Domestic Banks: These are registered and incorporated within the country,
(b) Foreign Banks: These are foreign in origin and have their head offices in the country of origin.

Scheduled and Non-scheduled Banks

In India, banks have been broadly classified into scheduled and non-scheduled banks.

A Scheduled Bank is that which has been included in the Second Schedule of the Reserve Bank of India Act, 1934 and fulfills the three conditions:

(a) It has paid- up capital and reserves of at least ₹ 5 lakhs. It ensures the Reserve Bank that it's operations are not detrimental to the interest of the depositors;
(b) It is a corporation or a cooperative society and not a partnership or a single owner firm. The banks which are not included in the Second Schedule of the Reserve bank of India Act are non-scheduled banks.

➢ Functions of Commercial Banks

The commercial banks serve as the king pin of the financial system of the country. They render many valuable services. The important functions of the Commercial banks can be explained with the help of the following chart.

Primary Functions

The primary functions of the commercial banks include the following:

A. Acceptance of Deposits

1. Time Deposits: These are deposits repayable after a certain fixed period. These deposits are not withdrawn able by cheque, draft or by other means. It includes the following.

(a) Fixed Deposits : The deposits can be withdrawn only after expiry of certain period say 3 years, 5 years or 10 years. The banker allows a higher rate of interest depending upon the amount and period of time. Previously the rates of interest payable on fixed deposits were determined by Reserve bank.

Presently banks are permitted to offer interest as determined by each bank. However, banks are not permitted to offer different interest rates to different customer for deposits of same maturity period, except in the case of deposits of ₹15 lakhs and above.

These days the banks eccept deposits even for 15 days or one month etc. In times of urgent need for money, the bank allows premature closure or fixed deposits by paying interest at reduced rate. Depositors can also avail of loans against Fixed Deposits. The Fixed Deposits Receipt cannot be transferred to other persons.

(b) Recurring Deposits : In recurring deposit, the customer opens an account and deposit a certain sum of money every month. After a certain period, say 1 year or 3 years or 5 years, the accumulated amount along with interest is paid to the customer. It is very helpful to the middle and poor sections of the people. The interest paid on such deposits is generally on cumulative basis. This deposit system is a useful mechanism for regular savers of money.

(c) Cash Certificates : Cash Certificates are issued to the public for a longer period of time. It attracts the people because its maturity value is in multiples of the sum invested. It is an attractive and high yielding investment for those who can keep the funds for a long time.

It is a very useful account for meeting future financial requirements at the occasion of marriage, education of children etc. Cash certificates are generally issued at discount to face value. It means a cash certificate of ₹1,00,000 payable after 10 years can be purchased now, say for. ₹20,000

2. **Demand Deposits :** These are the deposits which may be withdrawn by the depositor at any time without previous notice. It is withdraw able by cheque/draft. It includes the following :

(a) Saving Deposits : The saving deposit promotes thrift among people. The savings deposits can only be held by individuals and non-profit institutions. The rate of interest paid on savings deposits is lower than that of time deposits. The saving account holder gets the advantage of liquidity (as in current a/c) and small income in the form of interests.

But there are some restrictions on withdrawals. Corporate bodies and business firms are not allowed to open SB Accounts. Presently interest on SB Accounts is determined by RBI. It is 4.5 per cent per annum. Co-operative bank are allowed to pay an extra 0.5 per cent on its saving bank deposits.

(b) Current Account Deposits : These accounts are maintained by the people who need to have a liquid balance. Current account offers high liquidity. No interest is paid on current deposits and there are no restrictions on withdrawals from the current account. These accounts are generally in the case of business firms, institutions and cooperative bodies. Nowadays, banks are designing and offering various investment schemes for deposit of money. These schemes vary from bank to bank. It may be stated that the banks are currently working out with different innovative scheme for deposits. Such deposit accounts offer better interest rate and at the same time withdraw able facility also. These schemes are mostly offered by foreign banks. In USA, Current Accounts are known as 'Checking Accounting' as a cheque is equivalent to check in America.

B. Advancing of Loans

The commercial banks provide loans and advances in various forms. They are giving below:

1. **Overdraft :** This facility is given to holders of current accounts only. This is an arrangement with the bankers thereby the customer is allowed to draw money over and above the balance in his/her account. This facility of overdrawing his account is generally prearranged with the bank up to a certain limit.
   It is a short-term temporary fund facility from bank and the bank will charge interest over the amount overdrawn. This facility is generally available to business firms and companies.
2. **Cash Credit :** Cash credit is a form of working capital credit given to the business firms. Under this arrangement, the customer opens an account and the sanctioned amount is credited with that account . The customer can operate that account within the sanctioned limit as and when required.
   It is made against security of goods, personal security etc. On the basis of operation, the period of credit facility may be extended further. One advantage under this method is that bank charges interest only on the amount utilized and not on total amount sanctioned or credited to the account.
   Reserve Bank discourages this type of facility to business firms as it imposes an uncertainty on money supply. Hence this method of lending is slowly phased out from banks and replaced by loan accounts. Cash credit system is not in use in developed countries.
3. **Discounting of Bills :** Discounting of bills may be another form of bank credit. The bank may purchase inland and foreign bills before these are due for payment by the drawer debtors, at discounted values i.e., values a little lower than the values.
   The Banker's discount is generally the interest on the full amount for the unexpired period of the bill. The banks reserve the right of debiting the accounts of the customers In cash the bills are ultimately not paid, i.e., dishonored.

The bill passes to the Banker after endorsement. Discounting of bills by banks provide immediate finance to sellers of goods. This helps to carry on their business.

Banks can discount only genuine commercial bills i.e., those drawn against sale of good on Credit. Banks will not discount Accommodation Bills.

4. **Loans and Advances :** It includes both demand and term loans, direct loans and advances given to all type of customers mainly to businessmen and investors against personal security or goods of movable or immovable in nature. The loan amount is paid in cash or by credit to customer account which the customer can draw at any time.

   The interest is charged for the full amount whether he withdraws the money from his account or not. Short-term loans are granted to meet the working capital requirements where as long-term loans are granted to meet capital expenditure.

   Previously interest on loan was also regulated by RBI. Currently, banks can determine the rate themselves. Each bank is, however required to fix a minimum rate known as Prime Lending Rate (PLR).

Classification of Loans and Advances

Loans and advances given by bankers can be classified broadly into the following categories:

(i) Advances which are given on the personal security of the debtor, and for which no tangible or collateral security is taken; this type of advance is given either when the amount of the advance is very small, or when the borrower is known to the Banker and the Banker has complete confidence in him (Clean Advance).

(ii) Advances which are covered by tangible or collateral security. In this section of the study we are concerned with this type of advance and with different types of securities which a Banker may accept for such advances (Secured Advances).

(iii) Advances which are given against the personal security the debtor but for which the Bankers also holds in addition the guarantee of one or more sureties. This type of advance is often given by Banker to persons who are not known to them but whose surety is known to the Banker. Bankers also often take the personal guarantee of the Directors of a company to whom they agree to advance a clean or unsecured loan.

(iv) Loans are also given against the security of Fixed Deposit receipts.

5. **Housing Finance :** Nowadays the commercial banks are competing among themselves in providing housing finance facilities to their customers. It is mainly to increase the housing facilities in the country. State Bank of India, Indian bank, Canara Bank, Punjab National Bank, has formed housing subsidiaries to provide housing finance.

   The other banks are also providing housing finances to the public. Government of India also encourages banks to provide adequate housing finance.

   Borrowers of housing finance get tax exemption benefits on interest paid. Future up to ₹ 5 lakh is treated as priority sector advances for banks. The limit has been raised to ₹10 lakh per borrower in cities.

6. **Education Loan Scheme :** The Reserve Bank of India, from August, 1999 Introduced a new Education Loan Scheme for student of full time graduate/post-graduate professional courses in private professional collages.

   Under the scheme all public sector banks have been directed to provide educational loan up to Rs. 15,000 for free seat and Rs. 50,000 for payment seat student at interest not more than 12 per cent annum. This loan is on clean basis i.e., without calling security.

   This loan is available only for students whose annual family income dose not exceed Rs. 1,00,000. The loan has to be repaid together with interest within five years from the date of completion of the course. Studies in respect of the following subject /areas are covered under the scheme.

   (a) Medical and dental course.
   (b) Engineering course.
   (c) Chemical Technology
   (d) Management course like MBA.
   (e) Law studies.
   (f) Computer science and applications.

   This apart, some of the banks have other educational loan schemes against security etc. one can check up the details with the banks.

7. **Loans Against Shares/Securities :** Commercial banks provide loans against the security of shares/debentures of reputed companies Loan are usually given only up to 50% value (Market Value) of the shares subject to the maximum amount permissible as per RBI directives. Presently shares and up to Rs.20 lakhs against dematerialized shares.

8. **Loans Against Saving Certificates :** Banks are also providing loans up to certain value of saving certificates like National Saving Certificate, Fixed Deposit Receipt, Indira Vikas Patra, etc. The loan may be obtained for personal or business purposes.

9. **Consumer Loans and Advances :** One of the important areas for bank financing in recent years is towards purchase of consumer durables like TV sets, Washing Machines, Micro Oven, etc. Bank also provide liberal car finance. These days banks are competing with one another to lend money for these purposes as default of

payment is not high in these areas as the borrowers are usually salaried persons having regular income? Further, bank's interest rate is also higher. Hence banks improve their profit through such profitable loans.

10. **Securitization of LoAns :** Banks are recently trying to securities a part of their part of loan portfolio and sell it to another investor. Under this method, banks will convert their business loans in to a security or a document and sell it to some investment or Fund Manager for cash to enhance their liquidity position.
    It is process of transferring credit risk from the bankers to the buyer of securitized loans. It involves a cost to the banker but it helps the bank to ensure proper recovery of loan. Accordingly, securitization is the process of changing an illiquid asset in to a liquid asset.
11. **Others :** Commercial banks provide other types of advances such as venture capital advances, jewel loans, etc.
    1. Effective October 18, 1994 banks were free to determine their own prime lending rates (PLRs) for credit limit over ₹ 2 lakh. Data relate to public sector banks.
    2. The stipulation of minimum maturity period of term deposits was reduced from 30 days to 15 days, effective April 29, 1998. Data relate to public sector banks.
    3. The change in the Bank Rate was made effective from the close of business of respective dates of change except April 29, 1998.
    4. Effective April 29, 1998.

C. Credit Creation

Credit creation is one of the primary functions of commercial banks. When a bank sanctions a loan to the customer, it dose not give cash to him. But, a deposits account is opened in his name and the amount is credeted to his account. He can withdraw the money whenever the needs.

Thus whenever a bank sanction a loan it creates a deposit. In this way the bank increases the money supply of the economy such functions are known as credit creation.

Secondary functions

The secondary functions of the banks consist of agency functions and general utility functions.

A. Agency Functions

Agency functions include the following:

(i) Collection of cheques, dividends, and interests : As an agent the bank collects cheques, drafts, promissory notes, interest dividends etc., on behalf of its customers and credit the amounts to their accounts.
Customers may furnish their bank details to corporate where investment is made in shares, debentures, etc. As and when dividend, interest, is due, the companies directly send the warrants/cheques to the bank for credit to customer account.

(ii) Payment of rent, insurance premiums : The bank makes the payment such as rent, insurance premiums, subscriptions, on standing instructions until further notice. Till the order is revoked, the bank will continue to make such payments regularly by debiting the customer's account.

(iii) Dealing in foreign exchange : As an agent the commercial banks purchase and sell foreign exchange as well for customers as per RBI Exchange Control Regulations.

(iv) Purchase and sale of securities : Commercial banks undertake the purchase and sale of different securities such as shares, debentures, bonds etc., on behalf of their customers. They run a separate 'Portfolio Management Scheme' for their big customer.

(v) Act as trustee, executor, attorney, etc : The banks act as executors of Will, trustees and attorneys. It is safe to appoint bank as a trustee than to appoint an individual. Acting as attorneys of their customers, they receive payments and sing transfer deeds of the properties of their customers.

(vi) Act as correspondent : The commercial banks act as a correspondent of their customers. Small banks even get travel tickets, book vehicles; receive letters etc., on behalf of the customer.

(vii) Preparations of Income-Tax returns : They prepare income-tax returns and provide advice on tax matters for their customers. For this purpose, they employ tax experts and make their services, available to their customers.

B. General Utility Services

The General utility services include the following:

(i) Safety Locker Facility : Safekeeping of important documents, valuable like jewels are one of the oldest services provided by commercial banks. 'Lockers' are small receptacles which are fitted in steel racks and kept inside strong rooms known as vaults. These lockers are available on half-yearly or annual rental basis.
The bank merely provides lockers and the key but the valuables are always under the control of its users. Any customer cannot have access to vault.
Only customer of safety lockers after entering into a register his name account number and time can enter into the vault. Because the vault is holding important

valuables of customers in lockers, it is also known as 'Strong Room'.

(ii) Payment Mechanism or Money 'Transfer : Transfer of funds is one of the important functions performed by commercial banks.

Cheques and credit card are two important payment mechanisms through banks.

Despite an increase in financial transactions, banks are managing the transfer of funds process very efficiently. Cheques are also cleared through the banking system. Correspondent banking is another method of transferring funds over long distance, usually from one country to another. Banks, these days employ computers to speed up money transfer and to reduce cost of transferring funds.

Electronic transfer of funds is also known as 'Chequeless banking' where funds are transferred through computers and sophisticated electronic system by using code words. They offer Mail Transfer, Telegraphic Transfer (TT) facility also

(iii) Travelers' Cheques : Travelers Cheques are used by domestic travelers as well as by international travelers. However the use of traveler's cheques is more common by international travelers because of their safety and convenience. These can be also termed as a modified form of traveler's letter of credit.

A bank issuing travelers cheques usually have banking arrangement with many of the foreign banks abroad, known as correspondent banks. The purchaser of traveler's cheques can encase the cheques from all the overseas banks with whom the issuing bank has such an arrangement.

The traveller's cheques are not drawn on specific bank abroad. The cheques are issued in foreign currency and in convenient denominations of ten, twenty, fifty, one hundred dollar, etc. The signature of the buyer/traveler is written on the face of the cheques at the time of their purchase.

The cheque also provide blank space for the signature of the traveller to e signed at the time of encashment of each cheque. A traveller has to sings in the blank space at the time of drawing money band in the presence of the paying banker.

The paying banker will pay the money only when the signature of the traveller tallies with the signature already available on the cheque.

A traveller should never sign the cheque except in the presence of paying banker and only when the traveler desires to encash the cheque. Otherwise it may be misused

The cheque are also accepted by hotels, restaurants, shops, airlines companies for respectable persons.

Encashment of a traveler cheque abroad is tantamount to a foreign exchange transaction as it involves conversion of domestic currency into a foreign currency.

When a traveller cheque is lost or stolen, the buyer of the cheques has to give a notice to the issuing bank so that stop order can be issued against such lost/stolen cheques to the banks where they are permitted to be encased.

It is also difficult to the finder of the cheque to draw cash against it since the encasher has to sign the cheque in the presence of the paying banker. Unused travelers cheques can be surrendered to the issuing bank and balance of cash obtained.

The issuing bank levies certain commission depending upon the number and value of travellers cheques issued.

(iv) Circular Notes or Circular Letters of Credit : Under Circular Letters of Credit, the customer/traveller negotiates the drafts with any of the various branches to which they are addressed. Thus the traveller can obtain funds from many of the branches of banks instead only from a particular branch. Circular Letters of Credit are therefore a more useful method for obtaining funds while travelling to many countries.

It may be noted that travellers letter of credit are usually paid for in advance. In other words, the traveller first makes payments to the issuing bank before obtaining the Circular Notes.

(v) Issue "Traveller Cheques": Banks issue travellers cheques to help carry money safely while travelling within India or abroad. Thus, the customers can travel without fear, theft or loss of money.

(vi) Letters of Credit : Letter of Credit is a payment documents provided by the buyer's banker in favour of seller. This document guarantees payment to the seller upon production of document mentioned in the Letter of Credit evidencing dispatch of goods to the buyer.

The Letter of Credit is an assurance of payment upon fulfilling conditions mentioned in the Letter of Credit. The letter of credit is an important method of payment in international trade. There are primarily 4 parties to a latter of credit.

The buyer or importer, the bank which issues the letter of credit, known as opening bank, the person in whose favour the letter of credit is issued or opened (The seller or exporter, known as 'Beneficiary of Letter of Credit'), and the credit receiving/advising bank.

The Letter of Credit is generally advised/sent through the seller's bank, known as Negotiating or Advising bank. This is done because the conditions mentioned in the Letter of Credit are, in the first instance; have to be verified by the Negotiating bank. It is mostly used in international trade.

(vii) Acting as Referees : The bank act as referees and supply information about the business transactions and financial standing of their customers on enquiries made by third parties. This is done on the acceptance of the customers and help to increase the business activity in general.

(viii) Provides Trade Information : The commercial banks collect information on business and financial conditions etc. and make it available to their customers to help plan their strategy. Trade information service is very useful for those customer going for cross-border. It will help traders to know the exact business conditions, payment rules and buyers: financial status in other countries.

(ix) ATM facilities : The banks today have ATM facilities. Under this system the customers can withdraw their money easily and quickly and 24 hours a day. This is also known as 'Any Time Money'. Customers under this system can withdraw funds i.e., currency notes with a help of certain magnetic card issued by the bank and similarly deposit cash/cheque for credit to account.

(x) Credit cards : Banks have introduced credit card system. Credit cards enable a customer to purchase goods and services from certain specified retail and service establishments up to a limit without making immediate payment. In other words, purchases can be made on credit basis on the strength of the credit card.

The establishment like Hotels, Shops, Airline Companies Railways etc., which sell the goods or services on credit forward a monthly for fortnightly statements to the bank. The amount is paid to these establishments by the bank. The bank subsequently collects the dues from the customers by debit to their account. Usually, the bank receives certain service charges for every credit card issued. Visa Card, BOB card are some examples of credit cards.

(xi) Gift Cheques : The commercial banks offer Gift cheque facilities to the general public. These cheques received a wider acceptance in India. Under this system by paying equivalent amount one can buy gift cheque for presentation on occasions like Wedding, Birthday.

(xii) Accepting Bills : On behalf of their customers, the banks accept bills drawn by third parties on its customers. This resembles the letter of credit. While banks accept bills, they provide a better security for payment to seller of goods or drawer of bills.

(xiii) Merchant Banking : The commercial banks provide valuable services through their merchant banking divisions or through their subsidiaries to the traders. This is the function of underwriting of securities. They underwrite a portion of the Public issue of shares, Debentures and Bonds of Joint Stock Companies.

Such underwriting ensures the excepted minimum subscription and also convey to the investing public about the quality of the company issuing the securities. Currently, this type of services can be provided only by separate subsidiaries, known as Merchant Bankers as per SEBI regulations.

(xiv) Advice on Financial Matters : The commercial banks also give advice to their customers on financial matters particularly on investment decisions such as expansion, diversification, new ventures, rising of funds etc.

(xv) Factoring Service : Today the commercial banks provide factoring service to their customers. It is very much helpful in the development of trade and industry as immediate cash flow and administration of debtors' accounts are taken care of by factors. This service is again provided only by a separate subsidiary as per RBI regulations.

Balance sheet is a statement of assets and liabilities on a given date. In India, banks have to publish their balance sheets according to the performed i.e., 'Form A' given in the III schedule of the Banking Regulation Act, 1949. The study of the balance sheet along with its profit and loss account reveals its financial soundness.

A customer has to carefully study these statements to choose his banks. The combined balance sheet of all banks in the country reveals certain economic trends. A specimen of a Bank's Balance Sheet is given at the end of this chapter.

CHEQUE

Cheque is an important document that an individual, companies, governments and many others use to transact their business. By definition, cheque can be termed as a negotiable document to transfer money either in physical form or to effect inter account transfer.

Unless or otherwise stated, a cheque is a signed unconditional order addressing the bank to credit it by the issuer. The issuer of the cheque will have an account with the bank to which it is connected. The account can be either saving type or a current account. A cheque transaction is one of the safest ways of conducting the business because it leaves an entry against the cheque honoured by the bank in the banking transactions conducted by you which can be traced back in case of necessity. There are various types of cheques and various ways of issuing a cheque.

Different types of cheques based on methods of issuing

Open cheque or bearer cheque

The issuer of the cheque ould just fills the name of the person to whom the cheque is issued, writes the amount and attaches his signature and nothing else. This type of issuing a cheque is also called bearer type cheque also known as open cheque or uncrossed cheque. The cheque is negotiable from the date of issue to three months. The issued cheque turns stale after the completion of three months. It has to be revalidated before presenting to the bank.

A crossed cheque or an account payee cheque

It is written in the same as that of bearer cheque but issuer specifically specifies it as account payee on the left hand top corner or simply crosses it twice with two parallel lines on the right hand top corner

The bearer of the cheque presenting it to the bank should have an account in the branch to which the written sum is deposited. It is safest type of cheques.

A self cheque

A self cheque is written by the account holder as pay self to receive the money in the physical form from the branch where he holds his account.

Pay yourself cheque

The account holder issues this type of crossed cheque to the bank asking the bank deduct money from his account into bank's own account for the purpose buying banking product like drafts, pay order, fixed deposit receipts or for depositing money into other accounts held by him like recurring deposits and loan accounts.

Post Dated Cheque (PDC)

A PDC is a form of a crossed or account payee bearer cheque but post dated to meet the said financial obligation at a future date.

Various types of cheques based on their functionality

Local Cheque

A local cheque is a type of cheque which is valid in the given city and a branch in which the issuer has an account and to which it is connected. The producer of the cheque in whose name it is issued can directly go to the designated bank and receive the money in the physical form. If a given city's local cheque is presented elsewhere shall attract some fixed banking charges. Although these type of cheques are still prevalent, especially with nationalised banks, it is slowly slated to be removed with at par cheque types.

At par cheque

With the computerisation and networking of bank branches with its headquarters, a variation to the local cheque has become common place in the name of at par cheque. At par cheque is a cheque which is accepted at par at all its branches across the country. Unlike local cheque it can be present across the country without attracting additional banking charges.

Banker's Cheque

It is a kind of cheque issued by the bank itself connected to its own funds. It is a kind of assurance given by the issuer to the client to alley your fears. The personal account connected cheque may bounce for want of funds in his account. To avoid such hurdles, sometime, the receiver seeks banker's cheque.

Travelers' Cheques

They are a kind of an open type bearer cheque issued by the bank which can be used by the user for withdrawal of money while touring. It is equivalent to carrying cash but in a safe form without fear of losing it.

Gift cheque

This is another banking instrument introduced for gifting money to the loved ones instead of hard cash. Cheques per as have been around since the inception of banking system. The cheque transactions are one of the safest ways of conducting business. Although cheque is going to be still the mainstay of banking transactions, it leaves a good amount of paper usage. With net banking becoming popular and made secure, more and more people looking forward to transacting their business using net banking. ATMs are slowly replacing the self cheque for withdrawal of money. Post dated cheques are getting replaced by periodic electronic clearing instructions.

BUDGET IN INDIA

History of Budget in India

On November 26, 1947 R.K. Shanmukham Chetty had presented the first budget of Independent India. But actually it was review of the economy and no new taxes were proposed as the budget day for 1948-49 was just 95 days away.

From then onwards an interim budget began to mean a budget for a short period. Chetty resigned a few days later due to differences with Prime Minister Nehru. K.C. Neogy then took charge of the Finance portfolio and held that office for just 35 days.

John Mathai became the third Finance Minister of India presenting the budget for 1950-51, the first budget for the Republic of India. The next Finance Minister, C.D. Deshmukh presented the first budget in the first elected Parliament on the basis of adult franchise. Budget papers began to be prepared in Hindi from 1955-56.

In 1959 Morarji Desai became the Finance Minister. He has presented the maximum number of budgets so far-ten. They included five annual and one interim budgets during his first stint and three final and one interim in the second tenure when he was both Finance Minister and Deputy Prime Minister.

Morarji Desai was the only Finance Minister to have had the opportunity to present two budgets on his birthday in 1964 and 1968. He was born on February 29.

After the fourth General Elections in 1967, Morarji Desai once again became the Finance Minister. This was his second stint. After he resigned, Indira Gandhi, the then Prime Minister, took over the Finance portfolio. So far, she has been the only woman Finance Minister.

Rajiv Gandhi presented the budget for 1987-88 after V.P. Singh quite his government, and in the process became only the third Prime Minister to present budget after his mother and grandfather. Yashwant Sinha became the Finance Minister and presented the interim budget for 1991-92.

In the election held in May 1991, the Congress returned to power and Manmohan Singh became the Finance Minister.

This was the first occasion when the interim and final budgets were presented by two ministers of two different political parties. Manmohan Sing opened the economy, en-couraged foreign investments, reduced peak importduty from 300 plus percent to 50 percent and introduced the concept of service tax.

After the elections another non-Congress ministry assumed office. So, a final budget for 1996-97 was presented by P. Chidambaram of the then Tamil Maanila Congress. It was the second time that an interim and final budgets were presented by two ministers of different political parties.

Following a constitutional crisis the I.K. Gujral Ministry was on its way out and a special session of Parliament was convened only to pass Chidambaram's 1997-98 budget. It was passed without debate.

Until 2000, the Union Budget was announced at 5 pm on the last working day of the month of February. This practice was inherited from the British, when their Parliament would pass the budget in the noon followed by India in the evening of the day Yashwant Sinha changed the timing to 11 a.m.

- **Types of Budget**

Types of Budget in India

Balanced Budget

Balanced Budget is a budget where receipts are equal to current expenditure. That means that taxes on income and expenditure etc are sufficient to meet payments for goods and services, interest on the national debt etc.

A balanced budget is, however, not necessarily an ideal one-economist John Maynard Keynes has shown how budget surpluses and deficits can be used to stimulate or regulate the economy, by affecting the levels of demand and prices.

Revenue Budget

Revenue Budget consists of revenue receipts of government (revenues from tax and other sources) and the expenditure met from these revenues. Tax revenues are made up of taxes and other duties that the Union government levies. The other receipts consists. mainly of interest and dividend on investments made by Government, fees, and other receipts for services rendered by Government.

Receipts Budget

Estimates of receipts included in the Annual Financial Statement are further analyzed in this document.

The document also gives details of revenue and capital receipts, the trend of receipts over the years and, more importantly the details of external assistance received by the Government.

Performance Budgets.

Thes budgets are prepared by all ministries dealing with development activities. Also provided are separate appraisal reports in respect of certain major Central Sector Projects/Programs. A statement is included on the programs and performances of each public sector undertaking under the respective administrative ministry, indicating the in-stalled and utilized capacity, physical targets and achievements, results of operations, and return on capital.

Zero-base budget

Following a considerable period of investigation and examination, zero-base budgeting was adopted in India in 1986 as a technique for determining expenditure budgets. Accordingly the Ministry of Finance instructed all the administrative ministries to review their respective programs and activities in order to prepare expenditure budget estimates based on the principles of zero-base budgeting.

DEBT RECOVERY TRIBUNAL

Keeping in line with the international trends on helping financial institutions recover their bad Debt quickly and efficiently, the Government of India has constituted 33 Debt Recovery Tribunals and five Debts Recovery Appellate Tribunals across the country.

The Debt Recovery Tribunals (DRTs) have been established by the Government of India under an Act of Parliament (Act 51 of 1993) for expeditious adjudication and recovery of debts due to banks and financial institutions. The Debt Recovery Tribunal is also the appellate authority for appeals filed against the proceedings initiated by secured creditors under the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act.

The Debt Recovery Tribunals are located across the country. Some cities have more than one Debt Recovery Tribunal located therein. New Delhi and Mumbai have three Debt Recovery Tribunals. Chennai and Kolkata have two Debt Recovery Tribunals each. One Debt Recovery Tribunal each has been constituted at Ahamdabad, Allahabad, Arungabad, Bangalore, Chandigarh, Coimbatore, Cuttack, Ernakulam, Guwahati, Hydrabad, Jabalpur, Jaipur, Lucknow, Nagpur, Patna, Pune, Ranchi and Vishakapatnam.

There are number of States that do not have a Debt Recovery Tribunal. The Banks & Financial Institutions and other parties in these States have to go to Debt Recovery Tribunal located in other states haveing jurisdiction over there area.

Thus the territorial jurisdiction of some Debt Recovery Tribunal is very vast. For example, the Debt Recovery Tribunal located in Guwahati has jurisdiction over all the seven North Eastern States. Similarly, the territorial-jurisdiction of the Debt Recovery Tribunal located at Chandhigarh too has a very wide jurisdiction over the State of Punjab, Harayana, Chandhigarh.

The setting up of a Debt Recovery Tribunal is dependent upon the volume of cases. Higher the number of cases within a territorial area, more Debt Recovery Tribunal would be set up. Each Debt Recovery Tribunal is presided over by a Presiding Officer. The Presiding Officer is generally a judge of the rank of Dist. & Sessions Judge. A Presiding Officer of Debt Recovery Tribunal is assisted by a number of officers of other ranks, but none of them need necessarily have a judicial back ground. Therefore, the Presiding Officer of Debt Recovery Tribunal is the sole judicial authority to hear and pass an judicial order.

Each Debt Recovery Tribunal has two Recovery Officers. The work amongst the Recovery Officers is allocated by the Presiding Officer. Though a Recovery Officer need not be a judicial Officer, but the orders passed by a Recovery Officer are judicial in nature, and are appealable before the Presiding Officer of the Tribunal.

Credit Rating Agencies in India

The Credit Rating Agencies in India were mainly formed to assess the condition of the financial sector and to find out avenues for more improvement. The credit rating agencies offer various services as:

- Operation upgradation
- Training to employee
- Scrutinize new projects
- Rate different sectors
- The two most important credit rating agencies in India are ICRA and CRISIL.

- **ICRA Limited**

- ICRA Limited (ICRA) is one of India's premier financial information services company.
- ICRA Limited is one of the Credit Rating-Agency in India.
- ICRA also provide professional financial services in the Asia-Pacific region through its subsidiaries.

- ICRA Limited, was established in 1991, and was originally named investment information and Credit Rating Agency of India Limited (IICRA India).
- Headquarters of ICRA is at New Delhi, India
- IICRA India changed its name to ICRA Limited, and went public on 13 April 1997.
- ICRA Limited listed on the Bombay Stock Exchange (BSE) and the National Stock Exchange (NSE).
- ICRA offers Industry Financial services and Credit ratings services.
- ICRA Limited is a public company.

➢ CRISIL

- CRISIL or Credit Rating and information Services of India Ltd. is a global analytical company which provides services like ratings, research, and risk & policy advisory.
- CRISIL is the largest credit rating agency in India.
- CRISIL was established on 1987.
- CRISIL pioneered ratings in India more than 20 years ago.
- Today, CRISIL is the undisputed business leader in Ratings.
- CRISIL's Global Analytical Centre (GAC) supports the Global Resource Management initiative of Standard & Poor's (S&P).
- The main service product of CRISIL are Industry Financial services.

➢ Industrial Finance Corporation of India (IFCI)

- In 1947, at the of Independence, there was a significant demand for new capital but the Indian Capital market was relatively under-developed. Merchant bankers and underwriting firms were almost non existence and commercial banks were not quipped to provide long term industrial finance in any significant manner.
- The Industrial Finance Corporation of India (IFCI) was established on July 1, 1948.
- IFCI was established to cater to the long-term finance needs of the industrial sector.
- Until the establishment of ICICI and IDBI, The IFCI remained solely responsible for implementation of the government's industrial policy.
- Some of the sector that benefited from IFCI include- Textiles, paper, sugar, hotels, hospitals, iron and steel, fertilizers, basic chemicals, cement, power generation etc.

➢ Small Industries Development Bank of India (SIDBI)

- Small Industries Development Bank of India (SIDBI) was established on April 2, 1990.
- The Small Industries Development Bank of India Act passed in 1989.
- SIDBI was incorporated initially as a wholly owned subsidiary of Industrial Development Bank of India.
- Now SIDBI is owned by several state-owned banks, insurance companies and financial institutions.
- SIDBI is an independent financial institution aimed to aid the growth and development of micro, small and medium scale enterprises in India.
- It is an apex body and nodal agency for formulating, coordination and monitoring the policies and programme for promotion and development of small scale industries.
- SIDBI is in the list of top 30 Development Banks of the World in the latest ranking of the Banker, London.

➢ Export-Import Bank of India (EXIM Bank)

Export-Import Bank of India or EXIM Bank of India is the premier export finance institution of India. EXIM Bank was set up in 1982 under the Export-Import Bank of India Act 1981. The main objective behind the formation of EXIM bank is to enhance countries exports from India and to integrate the country's foreign trade and investment with the overall economic growth.

➢ Remember

- Export-Import Bank of India was established on 1982.
- Export-Import Bank of India was set up under the Export-Import Bank of India Act 1981.
- Headquarters of EXIM Bank is at Mumbai, India.

➢ National Housing Bank

- The National Housing Bank (NHB) is a state owned bank.
- National Housing Bank is a regulation authority in India.
- National Housing Bank was established on July 8, 1988.
- National Housing Bank was established under section 6 of the National Housing Bank Act (1987).
- The headquarters of National Housing Bank (NHB) is in New Delhi.
- The National Housing Bank (NHB) was established to promote private real estate acquisition in India.
- The National Housing Bank (NHB) is regulating and re-financing social housing programs and other activities.

➢ SEBI- Securities and Exchange Board of India

Securities and Exchange Board of India (SEBI) was established by Government of India through an executive resolution in the year 1988. SEBI was subsequently upgraded as a fully autonomous body in 1992 with the passing of the Securities and Exchange Board of India Act (SEBI Act) on 30th January 1992. In the year 1995, the SEBI was given additional statutory power by the Government of India through an amendment to the securities and Exchange Board of India Act 1992.

- The headquarter of SEBI is located in the business district of Bandra-Kurla complex in Mumbai.
- The Whole Time Member of SEBI- Prashant Saran
- The First Chairman of SEBI was- Dr. S.A. Dave
- SEBI deals with- the issuers of securities, the investors and the market intermediaries.

Basic Objective of SEBI

1. To Promote the interests of investors in securities
2. To promote the development of Securities Market
3. To regulate the securities market
4. For matters connected therewith or incidental there to.

Basel Criterion-5

Basel Committee on Banking Supervision

The Basel Committee on Banking Supervision (BCBS) is a committee of banking supervisory authorities that was established by the central bank governors of the Group of Ten countries in 1974. It provides a forum for regular cooperation on banking supervisory matters.

The Committee was formed in response to the messay liquidation of Cologne-based bank (Herstatt Bank) in 1974. On June 26, 1974, a number of banks had released Deutsche mark (German Mark) to the Herstatt Bank in exchange for dollar payments deliverable in New York. On account of differences in the time zones, there was a lag in the dollar payment to the counter party banks, and during this gap, and before the dollar payments could be effected in New York, the Herstatt Bank was liquidated by German regulators.

This incident prompted the G-10 nations to from towards the end of 1974, the Basel Committee on Banking Supervision, under the auspices of the Bank of International Settlements (BIS) located in Basel, Switzerland.

Its objectives is to enhance understanding of key supervisory issues and improve the quality of banking supervision worldwide. The Committee also frames guidelines and standards in different areas- some of the better know among them are the international standards on capital adequacy, the Core Principles for Effective Banking Supervision and the Concordat on cross-border banking supervision.

The Committees earlier guidelines were known as Basel I and Basell It accords. Later on, the committee was expanded to include members from nearly 30 countries, including India. The Committee's Secretariat is located at the Bank for International Settlements (BIS) In Basel, Switzerland.

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, whether in statutory form or otherwise.

The purpose of BCBS is to encourage convergence toward common approaches and standards. The Committee is not classical multilateral organization, in part because it has no founding treaty. BCBS does not issue binding regulation; rather, it functions as an informal forum in which policy solutions and standards are developed.

Notes : In spite of the implementation of Basel I and II guidelines, the financial world saw the worst crisis in early 2008 and the whole financial markets tumbled. One of the major debacles was the fall of Lehman Brothers. One of the interesting comments on the Balance Sheet of Lehman Brothers read: "Whatever was on the left-hand side (liabilities) was not right and whatever was on the right-hand side (assets) was not left."

Thus, it became necessary to re-visit Basel II and plug the loopholes and make Basel norms more stringent and wider in scope. BCBS, through Basel III, put forward norms aimed at strengthening both sides of balance sheets of banks viz.

a) Enhancing the quantum of common equity;
b) Improving the quality of capital base
c) Creation of capital buffers to absorb shocks
d) Improving liquidity of assets
e) Optimising the leverage through Leverage Ratio
f) Creating more space for banking supervision by regulators under Pillar II and
g) Bringing further transparency and market discipline under Pillar III.

Basel I

Basel I, that is, the 1988 Basel Accord, was primarily focused on credit risk and appropriate Risk Weighting of Assets (RWA). Assets of banks were classified and grouped in five categories according to credit risk, carrying risk weights of 0% (for example cash, bullion, home country debt like Treasuries), 20% (securitiations such as MBS rated AAA) 50%, 100% (for example, most corporate debt), and some assets given No Rating. Banks with an international presence are required to hold capital equal to 8% of their risk-weighted assets.

The Tier 1 Capital Ratio = Tier 1 Capital/ AII RWA

The Total Capital Ratio = (Tier 1 + Tier 2 + Tier 3 Capital)/All **RWA**

Leverage Ratio = Total Capital/Average Total Assets

Banks are also required to report Off-balance Sheet Items such as Letters of Credit, Unused Commitments, and Derivatives. These all factor into the Risk Weighted Assets. The report is typically submitted to the Federal Reserve Bank as HC-R for the bank holding company and submitted to the OCC as RC-R for just the bank.

Basel II

Basel II was the second of the Basel Accords, (Now extended and effectively superseded by Basel III), which are recommendations on banking laws and regulations issued by the Basel Committee on Banking Supervision.

Basel II, initially published in June 2004, was intended to create an international standard for banking regulators to control how much capital banks need to put aside to guard against the types of financial and operational risk banks (and the whole economy) face.

One focus was to maintain sufficient consistency regulations so that this does not become a source of competitive inequality amongst internationally active banks. Advocates of Basel II believed that such an international standard could help protect the international financial system from the types of problems that might arise should a major bank or a series of banks collapse.

In theory, Basel II attempted to accomplish this by setting up risk and capital management requirements designed to ensure that a bank has adequate capital for the risk the bank exposes itself to through its lending and investment practices. Generally speaking, these rules mean that the greater risk to which the bank is exposed, the greater the amount of capital the bank needs to hold to safeguard its solvency and overall economic stability.

Politically, it was difficult to implement Basel II in the regulatory environment prior to 2008, and progress was generally slow until that year's major banking crisis caused mostly by credit default swaps, mortgage-backed security markets and similar derivatives. As Basel III was negotiated, this was top of mind, and accordingly much more stringent standards were contemplated, and quickly adopted in some key countries including the USA.

The final version of BASEL II aimed at:

1. Ensuring that capital allocation is more risk sensitive;
2. Enhance disclosure requirements which will allow market participants to assess the capital adequacy of an institution;
3. Ensuring that credit risk, operational risk and market risk are quantified based on data and formal techniques;
4. Attempting to align economic and regulatory capital more closely to reduce the scope for regulatory arbitrage.

Basel II uses a "three pillars" concept (1) minimum capital requirements (addressing risk), (2) supervisory review and (3) market discipline.

The Basel I accord dealt with only parts of each of these pillars. For example: with respect to the first Basel II pillar, only one risk, credit risk, was dealt with in a simple manner while market risk was an after thought; operational risk was not dealt with at all.

➢ Basel III

Basel It is a global, voluntary regulatory standard on bank capital adequacy, stress testing and market liquidity risk. It was agreed upon by the members of the Basel Committee on Banking Supervision in 2010-11, and was scheduled to be introduced from 2013 until 2015; changes from April 1, 2003 extended implementation until March 31, 2018 however.

The third instalment of the Basel Accords was developed in response to the deficiencies in financial regulation revealed by the late 2000s financial crisis. Basel III was supposed to strengthen bank capital requirements by increasing bank liquidity and decreasing bank leverage.

➢ Remember

- The Reserve Bank of India, on May 2, 2012, published guidelines for implementation of the new global capital adequacy norms, called Basel III, by March 2018. Indian banks will have to maintain Tier I capital, or core capital, of at least 7 per cent of their risk weighted assets on an ongoing basis. The objective is to strengthen risk management mechanism. As per the guidelines specified by the central bank, commercial banks will have to maintain their total capital adequacy ratio at 9 percent, higher than the minimum recommended requirement of 9 percent, higher than the minimum recommended requirement of 8 percent under the Basel III norms.
- It was decided that scheduled commercial banks operating in India will have to maintain a minimum total capital (MTC) of 9 percent of total risk weighted assets (RWAs) as against a MTC of 8 percent of RWAs as prescribed in Basel III rules text of the BCBS (Basel Committee on Banking Supervision)
- Also, banks were directed to keep a capital conservation buffer of 2.50 percent. It essentially means that banks will have to set aside more capital as buffer to avoid a 2008-like crisis again. On failing to set aside the mentioned capital, the banks will not be able to pay dividend and bonus. The RBI tightened the norms to Thmonitor banks' investments, inter-connectedness and cross-holdings in the financial sector services which are beyond the active regulatory purview of the central bank.
- Basel III requires banks to have a higher share of core capital which is equity and reserves. Banks will thus require additional ₹ 1-1.5 lakh crore over the next six years for doing the same level of business.
- The implementation of the capital adequacy guidelines based on the Basel III capital regulations has begun on Jan 1, 2013. Banks are to attain a minimum Tier I capital ratio of 4.5 percent by Jan 2013, 5.5 per cent by Jan 2014, and 6 per cent by Jan 2015. The new capital regulations will be fully implemented by March 31, 2018.
- Under the existing Basel II framework, banks are required to maintain Tier I capital of at least 6 percent of their risk weighted assets. Under Basel III, Tier I capital will predominantly consist of common equity, defined as paid-up equity capital, share premium, surpluses arising from sale of assets, other disclosed free reserves, and balance in the profit and loss account at the end of the financial year.

Key Principles of Basel III

Capital Requirements

The original Basel III rule from 2010 was supposed to require banks to hold 4.5% of common equity (up from 2% in Basel II) and 6% of Tier I capital (up from 4% in Basel II) of "risk-weighted assets" (RWA). Basel III introduced "additional capital buffers", (i) a "mandatory capital conservation buffer" of 2.5% and (ii) " discretionary counter-cyclical buffer", which would allow national regulators to require up to another 2.5% of capital during periods of high credit growth.

Leverage Ratio

Basel III introduced a minimum "leverage ratio". The leverage ratio was calculated by dividing Tier 1 capital by the bank's average total consolidated assets: The banks were expected to maintain a leverage ratio in excess of 3% under Basel III. In July 2013, the US Federal Reserve Bank announced that the minimum Basel III leverage ratio would be 6% for 8 SIFI banks and 5% for their bank holding companies.

Liquidity Requirements

Best III introduced two required liquidity ratios. The "Liquidity Coverage Ratio" was supposed to require a bank to hold sufficient high-quality liquid assets to cover its total net cash outflows over 30 days; the Net Stable Funding Ratio was to require the available amount of stable funding to exceed the required amount of stable funding over a one-year period of extended stress.

➢ Islamic Banking

A banking system that is based on the principles of Islamic Law (also known Shariah) and guided by Islamic economics is commonly called Islamic Banking.

Two basic principles behind Islamic banking are the sharing of profit and loss and, significantly, the prohibition of the collection and payment of interest. Collecting interest is not permitted under Islamic law.

The basic principle of Islamic banking is based on risk-sharing, which is component of trade, rather than risk-transfer, which is seen in conventional banking. Islamic banking introduces concepts such as profit sharing, safekeeping, joint venture, cost plus, and leasing.

In an Islamic mortgage transaction, instead of lending the buyer money to purchase the item, a bank might buy the item itself from the seller, and re-sell it to the buyer at a profit, while allowing the buyer to pay the bank in installments. However, the bank's profit cannot be made explicit and therefore there are no additional penalties for late payment. In order to protect itself against default, the bank asks for strict collateral. The goods or land is registered to the name of the buyer from the start of the transaction.

Islamic banks handle loans for vehicles in a similar way (selling the vehicle at a higher-than market price to the debtor and then retaining ownership of the vehicle until the loan is paid).

An innovative approach applied by some banks for home loans allows for a floating rate in the form of rental. The bank and borrower from a partnership entity, both providing capital at an agreed percentage to purchase the property. The partnership entity then rents out the property to the borrower and charges rent. The bank and the borrower will then share the proceeds from this rent based on the current equity share of the partnership. At the same time, the borrower in the partnership entity also buys the bank's share of the property at agreed installments until the full equity is transferred to the borrower and the partnership is ended. If default occurs, both the bank and the borrower receive a proportion of the proceeds from the sale of the property based on each party's current equity.

There are several other approaches used in business transaction. Islamic banks lend their money to companies by issuing floating rate interests loans. The floating rate of interest is pegged to the company's individual rate of return. Thus the bank's profit Once the principal amount of the loan is rapid, the profit on the loan is equal to a certain percentage of the company's profits-sharing arrangement is concluded.

Islamic banking is restricted to Islamically acceptable transaction, which exclude those involving alcohol pork, gambling etc. The aim of this is to engage in only ethical investing and moral purchasing.

Islamic banking is growing at rate of 10-15% per year and with signs of consistent future growth. Islamic banks have more than 300 institutions spread over 51 countries including the United States through companies such as the Michigan-based University Bank, as well as an additional 250 mutual funds that comply with Islamic principles.

The Dubai Islamic Bank has the distinction of being the world's first full fledged Islamic bank, formed in 1975.

➢ Banking Ombudsman Scheme

The Banking Ombudsman Scheme makes available an expeditious and inexpensive forum to bank customers for resolution of complaints relating to certain services rendered by banks.

The Banking Ombudsman Scheme was introduced under Section 35 A of the Banking Regulation Act (BR Act), 1949 with effect from 1995.

All Scheduled Commercial Banks, Regional Rural banks and Scheduled Primary Co-operative Banks are covered under the Scheme.

Appointment of Banking Ombudsman

The Banking Ombudsman is a senior official appointed by the RBI to receive and redress customer's complaints against deficiency in certain banking services (Including Internet banking and loans and advances). At present, fifteen Banking Ombudsmen have been appointed, with their offices located mostly in state capitals.

Filing a complaint to the banking Ombudsman

One can file a complaint before the Banking Ombudsman if(a) the reply to the representation made by the customer to his bank is not received from the concerned bank within a period of one month after the bank has received the representation, or (b) the bank rejects the complaint, or (c) if the complainant is not satisfied with the reply given by the bank.

The Banking Ombudsman does not charge any fee for filing and resolving customers' complaints.

Limit on the Amount of Compensation as Specified in an Award

The amount, if any, to be paid by the bank to the complainant by way of compensation for any loss suffered by the complainant is limited to the amount arising directly out of the act or omission of the bank or ₹ 10 lakhs, whichever is lower.

Further, the Banking Ombudsman may award compensation not exceeding ₹ 1 lakh to the complainant only in the case of complaints relating to credit card operations for mental agony and harassment. The Banking Ombudsman will take into account the loss of the complainant's time, expenses incurred by the complainant and harassment and mental anguish suffered by the complainant while passing such award.

Further Recourse Available

If a customer is not satisfied with the decision passed by the Banking Ombudsman, he can approach the Appellate Authority against the Banking Ombudsman's decision. Appellate Authority is vested with a Deputy Governor of RBI. He can also explore any other recourse available to him as per the law. The bank also has the option to file an appeal before the appellate authority under the scheme.

Know Your Customer (KYC) Norms

The RBI guidelines on Know your Customer (KYC) guidelines aim at preventing banks from being used, intentionally or unintentionally by criminal elements for money laundering or terrorist financing activities. They also enable banks to have better knowledge and understanding of their customers and their financial dealing. This in turn helps banks to manage their risks better.

The RBI expects all banks to have comprehensive KYC policies, which need to be approved by their respective boards. Banks should frame their KYC policies incorporating the following four key elements:

a) Customer Acceptance Policy;
b) Customer Identification procedures;
c) Monitoring of Transaction and
d) Risk management.

Customer Acceptance Policy

Every bank should develop a clear Customer Acceptance Policy laying down explicit criteria for acceptance of customers. Banks, for example,, should not open an account in anonymous or fictitious/ benami name(s). Nor should any account be opened where the banks due diligence exercises relating to identity has not been carried out. Banks have to ensure that the identity of the new or existing customers does not match with any person with known criminal background. If a customer wants to act on behalf of another, the reasons for the same must be looked into.

However, the adoption of customer acceptance policy and its implementation should not become too restrictive and should not result in denial of banking services to general public, especially to those who are financially or socially disadvantaged.

Customer identification Procedures

Customer identification means identifying the customer and verifying his/her identity by using reliable, independent source documents, data or information. For Individual customers, banks should obtain sufficient identification data to verify the identity of the customer, his address and a recent photograph. The usual documents required for opening deposit account are given below :

Documents for Opening Deposit Accounts under KYC Guidelines

The customer identification will be done on the basis of documents provided by the prospective customer as under:

a) passport or Voter ID card or Pension Payment Orders (Govt/PSUs) alone, whereon the address is the same as mentioned in account opening form
b) Any one document for proof of identity and proof of address, from each of the undernoted items:

Proof of Identity

i) passport, if the address differs from the one mentioned in the account opening form
ii) Voter Id card, if the address differs from the one mentioned in he account opening form
iii) PAN Card
iv) Govt/ Defence ID card
v) ID cards of reputed employers
vi) Driving Licence
vii) Pension payment Orders (Govt/PSUs), if the address differs from the one mentioned in the account opening form
viii) Photo ID card issued by Post Offices
ix) Photo ID card issued to bonafide students of Universities/Institutes approved by UGC/AICTE.

Proof of Address

i) Credit card statement
ii) Salary slip
iii) Income tax/ wealth tax assessment.

iv) Electricity bill
v) Telephone bill
vi) bank account statement'
vii) Letter from a reputed employer
viii) Letter from any recognized public authority
ix) Ration card
x) Copies of registered leave & license agreement/ Sale Deed/ Lease Agreement may be accepted as proof of address.
xi) Certificate issued by hostel and also, proof of residence incorporating local address, as well as permanent address issued by respective hostel warden of aforesaid University/ institute where the student resides, duly countersigned by the Registrar/principal/Dean of Student Welfare. Such accounts should be closed on completion of education/leaving the University/Institute.
xii) For students residing with relatives, address proof of relatives along with their identity proof, can also be accepted provided declaration is given by the relative that the students is related to him and is staying with him.

Monitoring of Transactions

Ongoing monitoring is an essential element of effective KYC procedures. Banks can effectively control and reduce their risk only if they have an understanding of the normal and reasonable activity of the customer so that they have the means of identifying the transactions that fall outside the regular pattern of activity.

Banks should pay special attention to all complex, unusually large transaction and all unusual patterns which have no apparent economic or visible lawful purpose. Banks may prescribe threshold limits for a particular category of accounts and pay particular attention to the transactions which exceed these limits.

Banks should ensure that any remittance of funds by way of demand draft/mail/telegraphic transfer or any other mode and issue of travellers' cheques for value of ₹ 50000 and above is effected by debit to the customer's account or against cheques and not against cash payment.

Risk management

Bank should devise procedures for creating risk profiles of their existing and new customers and apply various anti-money laundering measures keeping in view the risks involved in a transaction, account or banking/business relationship.

Banks should prepare a profile for each new customer based on risk categorisation. The customer profile may contain information relating to customer's identity, social/ financial status, nature of business activity, information about his clients' business and their location etc.

Customers may be categorised into low, medium and high risk. For example, individuals (other than high net worth individuals) and entities whose identities and sources of wealth can be easily identified and transactions in whose accounts by and large conform to the known transaction profile of that kind of customers may be categorised as low risk. Salaried employees, government owned companies, regulators etc fall in this category. For this category of customers, it is sufficient to meet just the basic requirements of verifying identity.

There are other customers who belong to medium to high risk category. Banks need to apply intensive due diligence for higher risk customers, especially those for whom the sources of funds are not clear. Examples of customers requiring higher due diligence include (a) non-resident customers; (b) high net worth individuals, (c) trusts, charities, NGOs and organizations receiving donations; (d) companies having close family shareholding or beneficial ownership; (e) firms with 'sleeping partners': (f) politically exposed persons (PEPs) of foreign origin; (g) non-face to-face customers and (h) those with dubious reputation as per public information available etc.

➢ Financial inclusion

Despite the expansion of the banking network in India since independence, a sizeable proportion of the households, especially in rural areas, still do not have a bank account. Considerable efforts have to be made to reach these unbanked regions and population. Financial inclusion implies providing financial services viz., access to payments and remittance facilities, savings, loans and insurance services at affordable cost to those who are excluded from the formal financial system.

Note: In 2006, Government of India constituted a "Committee on Financial Inclusion' which was headed by; Dr. C Rangarajan, to recommend strategy to extend financial services to small and marginal farmers and other vulnerable groups. The committee held that " while financial inclusion can be substantially enhanced by improving the supply side or the delivery systems, it is also important to note that many regions, segments of the population and sub-sectors of the economy have a limited or weak demand for financial services."

Initiatives taken by the RBI

The Lead Bank Scheme introduced by the RBI in 1969 was the earliest attempt by the RBI to foster financial inclusion. Under the scheme, designated banks are made key instruments for local development and entrusted with the responsibility of identifying growth centres, assessing deposit potential and credit gaps and evolving a coordinated approach for credit deployment in each district, in concert with other banks and other agencies.

The RBI's recent measures to promote financial inclusion includes; Advising banks to open 'no Frills' accounts, introduction of Business Correspondent (BC)/Business Facilitator (BF) model and adoption of Information and Communication Technology (ICT) Solutions for achieving greater outreach.

'No-Frills' Account

To achieve the objective of greater financial inclusion, all banks have been advised by the RBI to make available a basic banking 'no-frills' account either with 'nil' or very low minimum balances. They have also been advised to keep the transaction charges low, which would make such accounts accessible to vast sections of population. The nature and number of transactions in such accounts could be restricted by the banks, but such restrictions must be made known to the customer in advance in a transparent manner. The growth of such deposits should be encouraged with affordable infrastructure and low operational costs through the use of appropriate technology.

Use of Business Facilitators and Correspondents

With the objective of ensuring a greater financial inclusion and increasing the outreach of the banking sector, the RBI has introduced business facilitators and business correspondent models to enable banks to use the services of NGOs, Self Help Groups (SHGs) and micro finance institutions as intermediaries in providing financial and banking services. These intermediaries serve as the facilitators/correspondents of the banks.

In the business facilitator model, these intermediaries help the banks facilitate services such as identification of borrowers, collection and preliminary processing of loan applications, creating awareness about savings and other products, processing and submission of applications to banks and post-sanction monitoring.

In addition to Activities which the intermediaries can engage in the business facilitator model, the scope of activities under the business correspondent's models include disbursal of small value credit, recovery of principal. collection of interest, collection of small value deposits, receipt and delivery of small value remittances etc.

Banks pay reasonable commission/ fees to the Business Facilitators/ Correspondents. The banks' agreement with them however should specifically prohibit them from charging any fees to the customers for the services rendered by them on behalf of the banks.

Adoption of technology

To give an impetus to financial inclusion, the RBI has formulated a scheme to accelerate the pace of adoption of the biometric access/ smart card based Electronic Benefit Transfer (EBT) mechanism by the banks and roll out the EBT system in the States that are ready to adopt the scheme.

As per the scheme, RBI would partially reimburse the banks, for a limited period, the cost of opening accounts with biometric access/smart cards. Through these accounts, payments of social security benefits, National Rural Employment Guarantee Act (NREGA) payments and payments under other government benefit programmes would be routed.

The potential of information technology (IT) in extending banking services to under- served markets in rural and semi-urban areas is enormous. The use of Smart Card technology, mobile ATMs, coverage of rural post offices under electronic payments network-all could contribute to providing financial services to more people and thereby serve financial inclusion.

India is experiencing an explosion in the use of mobile communication technology, and this could be exploited by the financial sector for spreading the banking habit. Mobile phone users belong to all strata of society, spread across urban, semi-urban and rural areas. However, while encouraging the spread of cost-effective banking through mobile communications, it has to be ensured that essential security features are maintained.

Micro Credit

Micro Credit is defined as provision of credit and other financial services and products of very small amount to the poor in rural, semi-urban and urban areas for enabling them to raise their income levels. Micro Credit Institutions (MCIs) are those which provide these facilities.

Banks are allowed to devise appropriate loan and savings products and the related terms and conditions including size of the loan, unit cost, unit size, maturity period, grace period, margins, etc. Such credit covers not only consumption and production loans for various farm and non-farm activities of the poor but also includes their other credit needs such as housing and shelter improvements.

Self-Help Groups (SHGs)

As stated earlier, despite the expansion of the banking sector, the rural poor- particularly the marginal farmers and landless labourers-depend to a very large degree on the moneylenders for credit. Several studies have shown that Self Help Savings and Credit Groups have the potential to bring together the banks and the rural poor.

A Self-help Group (SHG) is a registered or unregistered group of 15-20 people who voluntarily join together to save small amounts regularly. These pooled saving are used to make interest bearing loans to group members. In addition to inculcating the habit of thrift, SHG activity develops among its members the capacity to handle resources. When the group matures and stabilize, it gets linked to the banks under a SHS- banks linkage program and banks start providing credit to SHGs.

Note that banks provides credit to SHGs and not to individuals belonging to the SHG. It is the SHGs who pass on the loans to the individuals. Thus, the SHGs become responsible for repayment to the banks.

The group members use collective wisdom and peer pressure to ensure proper end-sue of credit and timely repayment thereof. Peer pressure acts as an effective substitute for collaterals.

Advantages of financing through SHGs

An economically poor individual gains strength as part of group. Besides, financing through SHGs reduces transaction costs for both lenders and borrowers. While lenders have to handle only a single SHG account instead of a large number of small-sized individual accounts, borrowers as part of a SHG cut down expenses on travel for completing paper work and on the loss of workdays in availing loans.

Since 1991-92, the National Bank for Agriculture and Rural Development (NABARD) has been encouraging banks to extend micro credit loans to SHGs. The scheme was then extended to RRBs and co-operative banks. More than 90 percent of the groups linked with banks are exclusive woman's groups.

Priority Sector Lending

Priority Sector was first properly defined in 1972, after the National Credit Council emphasized that there should be a larger involvement of the commercial banks in the priority sector.

Broadly, priority sector includes the Agriculture Finance, Small Enterprises, Retail Trade, Micro Credit, Education Loans and housing loans. The definition came out from the Dr. K. S. Krishnaswamy Committee. As per Reserve bank of India, Priority sector includes the following:

1. Agriculture
2. Small scale industries (including setting up of industrial estates)
3. Small road and water transport operators (owning up to 10 vehicles).
4. Small business (Original cost of equipment used for business not to exceed ₹ 20 lakh).
5. Retail trade (advances to private retail traders up to ₹10 lakh).
6. Professional and self- employed persons (borrowing limit not exceeding ₹ 10 lakh of which not more than ₹ 2 lakh for working capital; in the case of qualified medical practitioners setting up practice in rural areas, the limits are ₹15 lakh and ₹3 lakh respectively and purchase of one motor vehicle within these limits can be included under priority sector)
7. State sponsored organizations for Scheduled Castes /Scheduled Tribes.
8. Education (educational loans granted to individuals by banks)
9. Housing [both direct and indirect- loans up to ₹ 5 Lakh (direct loans upto ₹ 10 lakh in urban/ metropolitan areas), Loans upto ₹ 1 lakh and ₹ 2 lakh for repairing of houses in rural/semi-urban and urban areas respectively).
10. Consumption loans (under the consumption credit scheme for weaker sections).
11. Micro-credit provided by banks either directly or through any intermediary; Loans to self help groups (SHGs)/ Non Governmental Organizations (NGOs) for on lending to SHGs.
12. Loans to the software industry (having credit limit not exceeding ₹ 1 crore from the banking system)
13. Loans to specified industries in the food and agro-processing sector having investment in plant and machinery up to ₹ 5 crore.
14. Investment by banks in venture capital (venture capital funds/companies registered with (SEBI).

First of all in 1974, the banks were given a target of 33.33% as share of the priority sector in the total bank credit. This was later revised on the recommendation of the Dr. K.S. Krishnaswamy committee and the target was raised to 40%.

The latest working group on this segment was C.S. Murthy Committee in 2007, on whose recommendations, RBI revised the guidelines.

Indian Financial and Capital Market-6

STOCK MARKET IN INDIA

Stock Market refers to a market place where investors cab buy and sell stocks. The price at which each buying and selling transaction takes i determined by the market forces. Here market forces are demand and supply for a particular stock.

In earlier times, stock brokers assembles at a stock exchange to purchase and sale stock or in one word to make transactions. But now stock market became paperless. Almost all transaction are done electronically.

➢ Stock exchange in India

1. Bombay Stock Exchange (BSE)
2. National Stock Exchange (NSE)
3. Ahmedabad Stock Exchange
4. Bangalore Stock Exchange
5. Bhubaneshwar Stock Exchange
6. Calcutta Stock Exchange
7. Cochin Stock Exchange
8. Coimbatore Stock Exchange
9. Delhi Stock Exchange
10. Guwahati Stock Exchange
11. Hyderabad Stock Exchange
12. Jaipur Stock Exchange
13. Ludhiana Stock Exchange
14. Madhya Pradesh Stock Exchange
15. Madras Stock Exchange
16. Magadh Stock Exchange
17. Mangalore Stock Exchange
18. Meerut Stock Exchange
19. OTC Exchange of India
20. Pune Stock Exchange
21. Saurashtra Stock Exchange
22. Uttar Pradesh Stock Exchange
23. Vadodara Stock Exchange

➢ Remember

- Oldest Stock Exchange in India- Bombay Stock Exchange
- largest Stock Exchange in India- national Stock Exchange
- Regulatory Authority of Stock market-SEBI
- Youngest stock exchange in India- Coimbatore Stock Exchange

➢ Bombay Stock Exchange (BSE)

Bombay Stock Exchange (BSE) is a stock exchange located on Dalal Street, Mumbai. Bombay Stock Exchange is the oldest Stock Exchange in Asia. This stock exchange was initially started by five stock broker outside Mumbai Town hall Under a banyan tree in 1850. In 1875 it become an official organization known as 'The Native Share & Stock Brokers Association'.

After Independence, In 1956 Bombay Stock Exchange became the first stock exchange to be recognized by the Indian Government under the Securities contracts Regulation Act.

- BSE Founded in 1875
- CEO and MD of BSE-Madhu Kannan
- No. of Company listed- 5085
- BSE Indexes-BSE SENSEX, BSE Small Cap, BSE Mid-Cap, BSE 500
- Oldest Stock Exchange in Asia

➢ National Stock Exchange of India (NSE)

In order to lift the Indian stock market trading system on par with the International standards and on the basis of the recommendations of high powered Pherwani Committee, the National Stock Exchange was incorporated in 1992 by Industrial Development Bank of India, Industrial Credit and Investment Corporation of India, Industrial Finance Corporation of India, All Insurance Corporations, Selected commercial banks and others.

The National Stock Exchange (NSE) is the 9th largest stock exchange in the world by market capitalization and largest in India by daily turnover and number of trades, for both equities and derivative trading. NSE is located in Mumbai, Maharastra.

- In November, 1992 SEBI was incorporated as a tax-paying company.
- In April 1993, it was recognized as a stock exchange under the Securities Contracts (Regulation) Act,, 1956.
- NSE Incorporated on the recommendation of Pherwani Committee.
- NSE commenced operations in the Wholesale Debt Market (WDM) segment in June 1994.
- The Capital market (Equities segment of the NSE commenced operations in November 1994.
- In October 1995 NSE Became largest stock exchange in the country.
- Derivatives segment commenced in June 2000.
- Managing Director of NSE-Ravi Narain
- No. of listings- 1552

International Financial Organizations-7

➢ International Monetary Fund (IMF)

Established on Dec 27, 1945 in Washington D.C. on the recommendation of Bretton Woods Conference. But it started its operations on March 1,1947.

It originally had 45 members. At present 188 nations are its members.

Christine Lagarde is the present Managing Director of IMF.

Objective of IMF

- To promote international monetary co-operation.
- To ensure balanced international trade.
- To ensure exchange rate stability.
- To eliminate or to minimize exchange restrictions by promoting the system of multilateral payments.
- To grant economic assistance to member countries for eliminating the adverse imbalance in balance of payments.

main function is to stabilize exchange.

Offers facilities to the member nations for the expansion of international trade, the control of international exchange and to avoid competitive exchange depreciation.

The capital resources of the IMF comprise Special Drawing Rights (SDRs) and currencies that members pay under quotas calculated for them when they join the IMF.

Every IMF member is required to subscribe to the IMF an amount equal to its quota. The quota of a member is largely determined by its economic conditions relative to other members.

An amount, not exceeding 25 percent of the quota, is to be paid in reserve assets, the balance in member's own currency.

The quota determines both the amount of foreign exchange a member may borrow from the fund and its voting power on IMF policy matters. The members with largest quotas are USA, Japan and Germany in first, second and third spots. India is placed at the thirteenth spot (1.961 per cent share in total quota).

The IMF makes it resources available to its members to meet their short-term or medium-term payment difficulties, subject to established limits and conditions with respect to the amount of its drawing rights.

Member-countries are given borrowing or drawing rights with the fund which they can use, together with their own nationally held international reserves, to finance the balance of payments deficits.

Special Drawing Right (SDRs)

Special drawing rights (SDRs) are supplementary foreign exchange reserve assets defined and maintained by the IMF.

Not a currency, SDRs instead represent a claim to currency held by IMF member countries for which they may be exchanged. As they can only be exchanged for euros, Japanese yen, pounds sterling, or US dollars, SDRs. may actually represent a potential claim on IMF member countries non-gold foreign exchange reserve assets, which are usually held in those currencies.

Created in 1969 to supplement a shortfall of preferred foreign exchange reserve assets, namely gold and the US dollar, the SDRs' value is defined by a weighted currency basket of four major currencies : the Euro, the US dollar, the British pound, and the Japanese yen.

SDRs are allocated to countries by the IMF. Private parties do not hold or use them.

➢ World Bank Group

The World Bank Group constitutes the following institutions:

1. International Bank for Reconstruction and Development (IBRD)
2. International Development Association (IDA)
3. International Finance Commission (IFC)
4. Multilateral Investment Guarantee Agency (MIGA)
5. International Centre for Settlement of Investment Disputes (ICSID)

The IDA and the IBRD constitute the World Bank. Jim Yong Kim is its present head.

1. International Bank for Re-Construction and Development (IBRD)

IBRD was established in Dec 1945 with the IMF on the basis of the recommendations of the Bretton Woods Conference. That is why IMF and IBRD are called **Bretton Woods Twins**. Its headquarter is at Washington D.C.

At present, 188 nations are members of the IBRD.

Its objective is to assist member nations in the economic re-construction and development of their territories.

The bank makes its loans on terms that are reasonable but at the same time sufficient to earn a profit in the form of interest and commission fees. The loans are long-term, generally repaid in the currencies loaned over 20 years with a five-year grace period.

May also guarantee loans by private investors.

The loans may be made to member countries, to their political sub-divisions or to private business enterprises in their territories.

If the borrower is not government, the guarantee of the member-government concerned is required.

In 2010, voting powers at the World Bank were revised to increase the voice of developing countries, notably China. The countries with most voting power are now the United States (15.85%), Japan (6.84%), China (4.42%), Germany (4.00%), the United Kingdom (3.75%), France (3.75%), India (2.91%), Russia (2.77%), Saudi Arabia (2.77%) and Italy (2.64%).

Difference Between IBRD and IMF

The Banks lends while funds sells i.e., it makes available the necessary currency of a particular country in case of a shortage.

The bank assists by advancing long-term credits for development and re-construction, whereas IMF facilitates the balanced growth of international trade by short terms credit.

2. International Development Association (IDA)

IDA is an associate institution of IBRD and is known as the Soft **Loan Window of World Bank.**

It was established on Sept 24, 1960.

It provides loans to its member countries and no interest is charged on these long-term loans (but there is a 0.75 per cent annual service charge on disbursed credits). Most IDA commitments are made to countries with annual per capita incomes less than $785. Credits are extended for terms of 40 years for least developed countries and 35 years for other countries.

As an affiliate of IBRD, its directors, officers and staff are those of the IBRD.

3. International Finance Corporation (IFC)

Established in 1955, the IFC became a UN specialized agency in 1957.

It provides loans to private industries of developing nations without any government guarantee and also promotes the additional capital investment in these countries.

- **World Trade Organisation (WTO)**

The World Trade Organization (WTO) is an organization that intends to supervise and liberalize international trade. The organization officially commenced on January 1, 1995 under the **Marrakech Agreement**, replacing the **General Agreement, on Tariffs and Trade (GATT),** which commenced in 1948.

WTO deals with regulation of trade between participating countries; it provides a framework for negotiating and formalizing trade agreements, and a dispute resolution process aimed at enforcing participants' adherence to WTO agreements which are signed by representatives of member governments and ratified by their parliaments.

Most of the issues that the WTO focuses on derive from previous trade negotiations, especially from the Uruguay Round (1986-1994).

Its headquarter is at Geneva. Robert Azevedo is the present Director-General of WTO.

The present membership of WTO is 159.

The highest authority of policy making is WTO's Ministerial Conference which is held after every two years:

Conference	Year	Place
First	1996	Singapore
Second	1998	Geneva
Third	1999	Seattle (USA)
Fourth	2001	Doha (Qatar)
Fifth	2003	Cancun (maxico)
Sixth	2005	Hongkong
Seventh	2008	Geneva
Eighth	2011	Geneva

Doha Development Round

The Doha Development Round is the current trade-negotiation round of WTO, which commenced in November 2001. Its objective is to lower trade barriers around the world, Which will help facilitate the increase of global trade. As of now, talks have stalled over a divide on major issues, such as agriculture, industrial tariffs and non-tariff barriers, services, and trade remedies.

The most significant differences are between developed nations led by the European Union (EU), the United States (USA), and Japan and the major developing countries led and represented mainly by India, Brazil, China, South Korea and South Africa. There is also considerable contention against and between the EU and the USA over their maintenance of agricultural subsidies- seen to operate effectively as trade barriers.

The Doha Round began with a ministerial-level meeting in Doha, Qatar in 2001. Subsequent ministerial meetings took place in Cancun, Mexico (2003), and Hong Kong (2005). Related negotiations took place in Paris, France (2005). Potsdam, Germany (2007), and Geneva, Switzerland (2004, 2006, 2008).

Agriculture has become the lynchpin of the agenda for both developing and developed countries. Agriculture is particularly important for developing countries, because around 75% of the population in developing countries live in rural areas, and the vast majority are dependent on agriculture for their livelihoods. The first proposal in Qatar, in 2001, called for the end agreement to commit to substantial improvements in market access; reductions (and ultimate elimination) of all forms of export subsidies; and substantial reductions in trade-distorting support.

The United States is being asked by the European Union (EU) and the developing countries, led by Brazil and India, to make a more generous offer for reducing trade-distorting domestic support for agriculture. US is insisting that the EU and the developing countries agree to make more substantial reductions in tariffs and to limit the number of import-sensitive and special products that would be exempt from cuts.

Import-sensitive products are of most concern to developed countries like the EU, while developing countries are concerned with special products- those exempt from both tariff cuts and subsidy reductions because of development, food security, or livelihood considerations. Brazil has emphasized reductions in trade-distorting domestic subsidies, while India has insisted on a large number of special products that would not be exposed to wider market opening.

Though no significant progress has eventuated from the negotiations, the WTO seems determined to persist with them. As of May 2012, the future of the Doha Round remains uncertain.

➢ Asian Development Bank (ADB)

It was established on August 22, 1966 to facilitate economic development of countries in Asia.

The Bank admits the members of the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP, formerly known as the United Nations Economic Commission for Asia and the Far East) and non-regional developed countries.

From 31 members at its establishment, ADB now has 67 members of which 48 are from within Asia and the Pacific and 19 outside.

ADB was modeled closely on the World Bank, and has a similar weighted voting system where votes are distributed in proportion with member's capital subscriptions. At present, both the United States and Japan hold 552,210 shares, the largest proportion of shares at 12.756% each. China holds 228,000 shares (6.429%), India holds 224,010 shares (6.317%), the 2nd and 3rd largest proportion of shares respectively.

The head office of the bank is located in Manila, Philippines. The ADB finances and gives technical assistance for development projects and programs; encourages public and private capital investment for development purposes and helps in coordinating development policies and plans of developing member-countries.

➢ South Asian Free Trade Area (SAFTA)

The South Asian Free Trade Area or SAFTA is a pact signed on Jan 6, 2004 that would gradually eliminate most tariffs and other trade barriers on products and services passing between Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, Afghanistan and Sri Lanka. The pact would effectively create a free-trade bloc among the eight countries of South Asia.

The SAFTA agreement came into force on 1 January 2006 and is operational following the ratification of the agreement by the seven governments.

SAFTA requires the developing countries in South Asia (India, Pakistan and Sri lanka) to bring their duties down to 20 percent in the first phase of the two year period ending in 2007. In the final five Year phase ending 2012, the 20 percent duty will be reduced to zero in a series of annual cuts. The least developed nations in South Asia (Nepal, Bhutan, Bangladesh, Afghanistan and Maldives) have an additional three years to reduce tariffs to zero.

India and Pakistan ratified the treaty in 2009, whereas Afghanistan as the 8th member state of the SAARC ratified the SAFTA protocol on the May 4, 2011.

The objective of the agreement is to promote good competition in the free trade area and to provide equitable benefits to all the countries involved in the contracts. It aimed to benefit the people of the country by bringing transparency and integrity among the nations. SAFTA was also formed in order to increase the level the trade and economic cooperation among the SAARC nations by reducing the tariff and barriers and also to provide special preference to the least Developed Countries (LDCs) among the SAARC nations.

➢ Association of South East Asian Nations (ASEAN)

Association of Southeast Asian Nations (ASEAN) is a geo-political and economic organization of ten countries located in Southeast Asia.

It was formed on August 8, 1967 by Indonesia, Malaysia, the Philippines, Singapore and Thailand. Since then, membership has expanded to include Brunei, Burma (Myanmar), Cambodia, Laos, and Vietnam.

Its aims include accelerating economic growth, social progress, cultural development among its members, protection of regional peace and stability, and opportunities for member countries to discuss differences peacefully.

ASEAN covers a land area of 4.46 million km^2, which is 3% of the total and area of Earth, and has a population of approximately 600 million People, which is 8.8% of the world's population. The sea area of ASEAN is about three times larger than its land counterpart.

If ASEAN were a single entity, it would rank as the ninth largest economy in the world, behind the United States, China, Japan, Germany, France, Brazil, the United Kingdom, and Italy.

ASEAN has concluded free trade agreements with China, Korea, Japan, Australia, New Zealand and most recently India. The

ASEAN-India Free Trade Area (AIFTA) came into effect on Jan 1, 2010.

The signing of the ASEAN-India Trade in Goods Agreement paves the way for the creation of one of the world's largest FTAs-a market of almost 1.8 billion people with a combined GDP of US & 2.8 trillion. The ASEAN-India FTA will see tariff liberalisation of over 90 percent of products traded between the two dynamic regions, including the so-called " special products," such as palm oil (crude and refined), coffee, black tea and pepper. Tariffs on over 4,000 product lines will be eliminated by 2016, at the earliest.

➢ Organization of the Petroleum Exporting Countries (OPEC)

The Organization of the Petroleum Exporting Countries (OPEC) is an intergovernmental organization of twelve oil-producing countries.

It constitutes Algeria, Angola, Ecuador, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, the United Arab Emirates, and Venezuela. Indonesia withdrew in 2008 after it became a net importer of oil, but stated it would likely return if it became a net exporter again.

Headquarters : Vienna

OPEC pursues ways and means of ensuring the stabilization of prices in international oil markets with a view to eliminating harmful and unnecessary fluctuations; giving due regard at all times to the interests of the producing nations and to the necessity of securing a steady income to the producing countries; an efficient and regular supply of petroleum to consuming nations, and a fair return on their capital to those investing in the petroleum industry.

OPEC members collectively hold 79% of world crude oil reserves and 44% of the world's crude oil production capacity, affording them some control over the global market.

The next largest group of producers, members of the OECD (Organisation for Economic Cooperation and Development) and the Post-Soviet states produced only 23.8% and 14.8% respectively, of the world's total oil production.

➢ G - 8

Group of Eight (G8) is a forum for the governments of eight large economies.

The forum originated with a 1975 summit hosted by France that brought together representatives of six governments: France, Germany, Italy, Japan, the United Kingdom, and the United States, thus leading to the name Group of Six or G-6.

The summit became known as the Group of Seven or G7 the following year with the addition of Canada. In 1997, Russia was added to group which then became known as the G8. The European Union is represented within the G8 but cannot host or chair summits.

Collectively, the G8 nations comprise 51% of 2011 global nominal GDP and 42.5% of global GDP(PPP).

Each calendar year, the responsibility of hosting the G8 rotates through the member states in the following order: France, United States, United Kingdom, Russia, Germany, Japan, Italy, and Canada. The holder of the presidency sets the agenda, hosts the summit for that year, and determines which ministerial meetings will take place.

Lately, both France and the United Kingdom have expressed a desire to expand the group to include five developing countries, referred to as the Outreach Five (O5) or the Plus Five: Brazil, People's Republic of China, India, Mexico, and South Africa. These countries have participated as guests in previous meetings which are sometimes called G8+5.

With the G-20 major economies growing in stature since the 2008 Washington summit, world leaders from the group announced at their Pittsburgh summit on September 25, 2009, that the group will replace the G8 as the main economic council of wealthy nations.

➢ G-20

Group of Twenty Finance Ministers and Central Bank Governors is a group of finance ministers and central bank governors from 20 major economies: 19 countries plus the European Union, which is represented by the president of the European Council and by the European Central Bank.

Collectively, the G-20 economies account for more than 80 percent of the gross world product, 80 percent of world trade (including EU intra-trade), and two-thirds of the world population.

The G-20 was proposed by former Prime Minister of Canada **Paul Martin** as a forum for cooperation and consultation on matters pertaining to the international financial system.

The group studies, reviews, and promotes high-level discussion of policy issues pertaining to the promotion of international financial stability, and seeks to address issues that go beyond the responsibilities of any one organization.

➢ Organisation for Economic Co-Operation and Development (OECD)

The Organisation for Economic Co-operation and Development (OECD), is an international economic organisation of 34 countries founded in 1961 to stimulate economic progress and world trade.

It is a forum of countries committed to democracy and the market economy, providing a platform to compare policy experiences, seek answers to common problems, identify good practices, and co-ordinate domestic and international policies of its members.

The OECD originated in 1948 as the Organisation for European Economic Co-operation(OEEC), led by Robert Marjolin of France, to help administer the Marshall plan for the reconstruction of Europe after world War II. Later, its membership was extended to non-European states. In 1961, it was reformed into the Organisation for Economic Co-operation and Development.

Most OECD members are high-income economies with a "very high" Human Development index (HDI) and are regarded as developed countries.

The OECD's headquarters are in Paris, France.

➢ BRICS

BRICS is the title of an association of leading emerging economies, arising out of the inclusion of South Africa into the BRIC Group in 2010.

As of 2012, the group's five members are Brazil, Russia, India, China and South Africa.

With the possible exception of Russia, the BRICS members are all developing or newly industrialised countries, but they are distinguished by their large. Fast-growing economies and significant influence on regional and global affairs.

The five BRICS countries represent almost 3 billion People, with a combined nominal GDP of US$13.7 trillion, and an estimated US$4 trillion in combined foreign reserves.

➢ European Union (EU)

The European Union (EU) is an economic and political union or confederation of 28 member states which are located primarily in Europe.

The EU traces its origins from the European Coal and Steel Community (ECSC) and the European Economic Community (EEC), formed by six countries in 1958. In the intervening years the EU has grown in size by the accession of new member states and in power by the addition of policy areas to its remit.

The Maastricht Treaty established the European Union under its current name in 1993. The latest amendment to the constitutional basis of the EU, the Treaty of Lisbon, came into force in 2009.

Important institutions of the EU include the European Commission, the Council of the European Union, the European council, the Court of justice of the European Union, and the European Central Bank. The European Parliament is elected every five years by EU citizens.

The EU has developed a single market through a standardised system of laws which apply in all member states. Within the Schengen Area (which includes EU and non-EU states) passport controls have been abalished.

EU policies aim to ensure the free movement of people, goods, services, and capital, enact legislation in justice and home affairs, and maintain common policies on trade, agriculture, fisheries and regional development.

A monetary union, the eurozone, was established in 1999. Euro is the official currency of the Eurozone, which consists of 18 of the 28 member states of the European Union. The eurozone consists of Austria, Belgium, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Latvia, Luxembourg, Malta, the Netherlands, Portugal, Slovakia, Slovenia and Spain.

With a combined population of over 500 million inhabitants, or 7.3% of the world population, the EU, in 2011, generated a nominal GDP of 17.6 trillion US dollars (larger than any single country in the world), representing approx..20% of the global GDP when measured in terms of purchasing power parity.

➢ North American Free Trade Agreement (NAFTA)

The North American Free Trade Agreement (NAFTA) is an agreement signed by the governments of Canada, Mexico, and the United states, creating a trilateral trade bloc in North America.

The agreement came into force on January 1, 1994. It superseded the Canada-United States Free Trade Agreement between the US and Canada.

NAFTA has two supplements: the North American Agreement on Environmental Cooperation (NAAEC) and the North American Agreement on Labour Cooperation (NAALC).

The goal of NAFTA was to eliminate barriers to trade and investment between the US, Canada and Mexico. The implementation of NAFTA on January 1, 1994 brought the immediate elimination of tariffs on more than one-half of Mexico's exports to the US and more than one-third of US exports to Mexico. Within 10 years of the implementation of the agreement, all US-Mexico tariffs would be eliminated except for some US agricultural exports to Mexico that were to be phased out within 15 years. Most U.S.-Canada trade was alreadyduty free.

NAFTA also seeks to eliminate non-tariff trade barriers and to protect the intellectual property right of the products.

➢ Asia-pacific Economic Cooperation (APEC)

Asia-pacific Economic Cooperation (APEC) is a forum for 21 pacific Rim countries (formally Member Economic) that seeks to promote Free trade and economic cooperation throughout the Asia-Pacific region.

Established in 1989 in response to the growing interdependence of Asia-Pacific economies and the advent of regional economic blocs (such as the European Union)in other parts of the world, APEC works to raise living standards and education levels through sustainable economic growth and to foster a sense of community and an appreciation of shared interests among Asia-Pacific countries.

Members account for approximately 40% of the world's population, approximately 54% of the world's gross domestic product and about 44% of world trade.

An annual APEC Economic Leader's Meeting is attended by the heads of government of all APEC members except Taiwan (represented under the name Chinese Taipei) by a ministerial-level official.

Member Countries (21): Australia, Brunei, Canada, chile, China, Hong Kong, Indonesia, japan, South Korea, Malaysia, Mexico, New Zealand, papua New Guinea, Peru, Philippines, Taiwan, Thailand, Russia, Singapore, United States and Vietnam.

➢ Asian Clearing Union (ACU)

The Asian Clearing Union (ACU) was established at the initiative of the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP).

It was established in 1974 with a view to provide the clearing facilities in current international transactions among Asian countries. In other words, it was constituted to eliminate the difficulty of payments for trade in local currencies so as to sove the scarcity problem of foreign exchange.

Initially, India, Bangladesh, Nepal, Pakistan, Sri Lanka and Iran were its members, but later on Myanmar, Bhutan and Maldives also joined the group.

All the Governors of the Central Banks of member countries are the members of Board of Governors in ACU.

The headquarters of ACU is in Tehran, Iran.

➢ Benelux

The Benelux is a customs union in Europe comprising three neighbouring countries, Belgium, the Netherlands, and Luxembourg. These countries are located in north-western Europe between France and Germany.

The Union's name is formed from the beginning of each country's name. in 1951, these countries joined West Germany, France, and Italy to form the European Coal and Steel Community, the earliest version the modern European Union.

The main institutions of the Union are the committee of ministers, the Parliament, the Council of the Union, the Court of Justice, the Secretariat-General, the Organization for Intellectual Property.

The Benelux Secretary-General is located in Brussels. It is the central administrative pillar of the Benelux Economic Union.

➢ Mercosur

Mercosur is an economic and political agreement among Argentina, Brazil, Paraguay and Uruguay, Venezuela will become the fifth full member country after Paraguay's congress ratification; all other members have ratified Venezuela's full membership.

Founded in 1991 by the Treaty of Asuncion, which was later amended and updated by the 1994 Treaty of OuroPreto.

Its purpose is to promote free trade and the fluid movement of goods, people, and currency. The official languages are Guarani, Portuguese and Spanish.

Mercosur and the Andean Community of Nations are customs unions that are components of a continuing process of South American integration connected to the Union of South American Nations.

Mercosur origins trace back to 1985 when Presidents Raul Alfonsin of Argentina and Jose Sarney of Brazil signed the Argentina-Brazil Integration and Economics Cooperation Program. The program also proposed the Gaucho as a currency for regional trade.

The founding of the Mercosur Parliament was agreed at the December 2004 presidential summit. It should have18 representatives from each country by 2010, regardless of population.

Bolivia, Chile, Colombia, Ecuador and Peru currently have associate member status.

➢ Central American Integration System (SICA)

Central American Integration System (SICA) is the economic, cultural and political organization of Central American states since February 1, 1993.

The headquarters of the General Secretariat of SICA are located in the Republic of EI Salvador.

In 1991, the institutional framework of SICA included the States of Guatemala, EI Salvador, Honduras, Nicaragua, Costa Rica and Panama. Belize joined in 2000 as full member, while the Dominican Republic became an associated state in 2004.

More recently, Mexico, Chile and Brazil became part of the organization as regional observers; while the Republic of China, Spain, Germany and Japan became extra-regional observers.

The SICA has standing invitation to participate as observers in the sessions of the United Nations General Assembly and maintains permanent offices at UN Headquarters.

➢ Gulf Cooperation Council

Created on May 25, 1981, Gulf Cooperation Council (GCC) is a political and economic union of the Arab states bordering the

Persian Gulf, namely Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates.

This area has some of the fastest growing economies in the world, mostly due to a boom in oil and natural gas revenues coupled with a building and investment boom backed by decades of saved petroleum revenues.

In an effort to build a tax base and economic foundation before the reserves run out, the UAE's investment arms, including Abu Dhabi Investment Authority, retain over $900 billion in assets. Other regional funds also have several hundreds of billions dollars of assets under management.

The region is also an emerging hotspot for events, including the 2006 Asian Games in Doha, Qatar Doha also submitted an unsuccessful application for the 2016 Summer Olympic Games. Qatar was later chosen to host the 2022 FIFA World Cup.

On March 6, 2012, the six members of the GCC, likely due to Arab democratic unrest and increased Iranian influence and pressure in the region, announced that the Gulf Cooperation Council would be evolving from a regional bloc to a confederation. This proposal is strongly backed by Saudi Arabia, but doubts have been raised by the other countries.

➢ Bank for International Settlements (BIS)

- Bank for International Settlements is an International organization.
- BIS was established by the Hague agreements.
- BIS was established in 1930.
- First General Manager of BIS was Pierre Quesnay of France.
- The purpose of is to increase the cooperation between the Central banks.
- Number of member-58 central banks
- Location of Bank for International Settlements (BIS)- Basel, Switzerland.
- The present General manager of – Jaime Caruana of Spain.
- Bank for International Settlements (BIS) also provides banking services, but only to central banks, or to international organizations like itself.
- BIS has representative offices in Hong Kong and Mexico City.

➢ Remember

- In 2004 Bank for International Settlements(BIS) has published its accounts in terms of Special Drawing Rights, or SDRs, replacing the Gold Franc as the bank's unit of account.

➢ International Monetary Fund (IMF)

IMF is an intergovernmental organization that promotes international economic cooperation. International Monetary Fund (IMF) was set up by 44 nation under the Bretton Woods Agreement of July 1944. This institute was established on 27th December 1945, But it started it's function on 1st march 1947.

Functions of IMF

- To remove short term deficit in Balance of Payment (BOP).
- To maintain the stability in Exchange rate system.
- To Focusing in particular on policies that have an impact on the exchange rate.

➢ Remember

- Headquarter at- Washington, D.U., United States
- Membership-185 Nations (Founding) ;187 Nations (To Date)
- The Financial year of IMF-1st May-30th April
- The Head of IMF is known as Managing Director
- The head of INF elected for 5 years. But can be removed earlier.
- Latest/ Last Member of IMF – Tuvalu.
- Quotas and Voting Ranking- India occupy 9th place in IMF General quotas where USA in 1st, Japan in 2nd, Germany in 3rd place.
- Special Drawing Rights(SDR)-it was created by IMF in 1971. It is also Known as paper Gold.
- Cuba left IMF in 1964. Cuba is not a Member of IMF.

(Banking and Financial Terminology)-8

Banking Terms

- **Accepting House :** An organization specializes in two prominent functions facilitating the different negotiable instruments and merchant banking.
- **Account Balance:** The total amount of money in a particular bank account, along with the debit and credit amounts. The net amount is also termed as the account balance.
- **Account Reconciliation :** Account reconciliation is a process with the help of which the account balance can be easily verified. Account reconciliation is usually done at the end of a week, month, financial year or at the end of any financial period. It is usually done with the help of receipts, ATM notes, bank statements etc.
- **Account Statement :** A financial record that indicates the transaction and its effect on an account (usually bank account), in terms of debit and credit. Sometimes, an account statement also carries some precise details, like the date of transaction, code of transaction, mode of transaction, sales, purchases, etc.
- **Accrual Basis :** Accrual is the process of accumulation of interest or money. The accrual basis is calculated by assuming that every month has 30 days. Accrual basis is often used as the common parameter for the calculation of interests and returns.
- **Accrued interest :** An interest accumulated on an investment but is not yet paid. Some banking books prefer to call it as the interest that is earned, but not yet paid.
- **Administered Rates :** Rates of interest which can be changed contractually by lender. In some cases, these rates can also be changed by the depositor and also the payee.
- **Ad valorem tax :** (In Latin: to the value added) a tax based on the value of property. Ad valorem tax can also be levied on imported items.
- **American Depository Receipt (ADR) :** ADRs are depository receipts which are equal to a specific number of shares of a corporate stock that has been issued in a foreign country. American depository receipts are traded only in the United States of America.
- **Amortization of LoAns :** The process of liquidation of loans or securities with the help of periodic reductions. The principal amount of the loan is amortized periodically by the method of payments in installments. The techniques that are used for the amortization of a loan differs from case to case.
- **Amortization Period :** The time period that is considered from the inception of the credit, investment or negotiable instrument and ends upon the maturity or expiry of the instrument. The amortiazation period is basically considered in order to calculate the rate of interest, time line of instalments and also the appropriate amount of all the instalments.
- **Amortizing Swap :** Amortizing swap is a swap in the rate of interest that has a declining notional principal.
- **Annuities:** Annuities are contracts that guarantee income or return, in exchange of a huge sum of money that is deposited, either at the same time or is paid with the help of periodic payments. Some of the common types of annuities include the deferred, fixed, immediate or variable variants.
- **Assets :** Anything of monetary value that is owned by a person. Assets include real property, personal property, and enforceable claims against others (including bank accounts, stocks, mutual funds, and so on).
- **Asset Backed Security (ABS) :** A security that is backed with the help of some kind of valuable assets, is known as an asset backed security. Sometimes, ABS is also referred to as the monthly rate of repayment of a secured loan.
- **Asset and Liability Management :** Asset and liability management is the coordinated management of all the financial risks inherent in the business conducted by financial institutions. In real practice, asset and liability management aims at minimization of loss and maximization of profit.
- **Assignment :** An assignment is the transfer of any contractual agreement between two or more parties. The party that assigns the contract is the assignor and the party who receives the assignment is the assignee.
- **Attrition Analysis :** Attrition analysis is basically carried out for the purpose of reformation of the assets and liabilities in a balance sheet.
- **Automated Clearing House (ACH) :** The abbreviation of the banking term automated clearing house. The automated clearing house operates on a national level and helps banks and financial institutions in the clearance of balances and negotiable instruments that are used at a personalized as well as a mercantile mode of transactions.
- **Automated Teller Machines (ATMs) :** Automated teller machines are basically used to conduct transactions with the blank, electronically.
- **Automatic Stay :** The automatic stay is an injunction that automatically becomes effective, after any person or organization applies for bankruptcy. The automatic stay basically precludes the creditors from taking the debtor or the property of the debtor.
- **Bad Debt :** A Debt which is irrecoverable and is therefore written off as a loss in the accounts of a company/bank etc. Balance of Payment is the summation of imports and exports made between one country and the other countries that it trades with.
- **Balance of Trade :** The difference in value over a period of time between a country's imports and exports.

- **Balance Transfer :** A balance transfer is the repayment of a credit debt with the help of another source of credit. In some cases, balance transfer also refers to transfer of funds from one account to another.
- **Bank :** A bank is an establishment that helps individuals and organizations, in the issuing, lending, borrowing and safeguarding functions of money.
- **Bank Account :** A bank account is an account help by a person with a bank, with the help of which the account holder can deposit, safeguard his money, earn interest and also make cheque payments.
- **Bank Debt :** A bank debt is basically any debt that is owned to a bank, by any kind of consumer, organization or corporation. The debt may be anything from a bank loan to a credit card debt or an overdraft that has been used.
- **Bankruptcy :** Bankruptcy refers to economic insolvency, wherein the person's assets are liquidated, to payoff all liabilities with the help of a bankruptcy trustee or a court of law.
- **Basel :** An attempt to reduce the number of bank failures by tying a bank's capital adequacy ratio to the riskiness of the loans it makes. For instance, there is less chance of a loan to a government going bad than a loan to, say, an internet business, so the bank should not have to hold as much capital in reserve against the first loan as against the second. The first attempt to do this worldwide was by the basel committee for international banking supervision in 1988.
- **Base Year :** In the construction of an index, the year from which the weights assigned to the different components of the index is drawn. It is conventional to set the value of an index in its base year equal to 100.
- **Bear :** An investor with a pessimistic market outlook; an investor who expects prices to fall and so sells now in order to buy later at a lower price. A Bear Market is one which is trending downwards or losing value.
- **Bill of Exchange :** A written, dated and signed three-party instrument containing an unconditional order by a drawer that directs a drawee to pay a definite sum of money to a payee on demand or at a specified future date.
- **Billing Statement :** It is a summary of all transactions, payments, purchases, fiancé charges and fees, that take place through a credit account during a billing cycle.
- **Bond :** A certificate of debt (usually interest-bearing or discounted) that is issued by a government or corporation in order to raise money; the bond issuer is required to pay a fixed sum annually until maturity and then a fixed sum to repay the principal.
- **Borrower :** A borrower is the party that uses any kind of credit facility and thus, becomes obliged to repay the principal amount and interest on the borrowed amount.
- **Bill of Exchange :** A written, dated, and signed three-party instrument containing an unconditional order by a drawer that directs a drawee to pay a definite sum of money to a payee on demand or at a specified future date.
- **Break even :** This is a term used to describe a point at which revenues equal costs (fixed and variable).
- **Bretton Woods :** An international monetary system operating from 1946-1973. The value of the dollar was fixed in terms of gold, and every other country held its currency at a fixed exchange rate against the dollar; when trade deficits occurred, the central bank of the deficit country financed the deficit with its reserves of international currencies. The Bretton Woods system collapsed in 1971 when the US abandoned the gold standard.
- **Bridge Financing :** Also know as gap financing, bridge financing is a loan where the time and cash flow between a short term loan and a long term loan is filled up. Bridge financing begins at the end of the time period of the first loan and ends with the start of the time period of the second loan, thereby bridging the gap between two loans. It is also known as gap financing.
- **Bridge Loan :** The bridge loan also known as a swing loan, is basically a real estate loan or a home loan, where the current residence/ real estate is pledged by the borrower as a collateral in order to purchase a new residence.
- **Bounced Cheque :** A bounced cheque is nothing but an ordinary bank cheque that any bank can refuse to encash or pay because of the fact that there are no sufficient finances in the bank account of the originator or drawer of the cheque.
- **Bubble :** When the price of an asset rises far higher than can be explained by fundamentals. Bubbles do not last forever and often end not with a pop but with a crash.
- **Budget Deficit :** Budget Deficit is the amount by which government spending exceeds government revenues during a specified period of time usually a year.
- **Bull :** An investor with an optimistic market outlook; an investor who expects prices to rise and so buys now for resale later. A bull Market is one in which prices are rising.
- **Cap :** A cap is a limit that regulates the increase or decrease in the rate of interest and instalments of an adjustable rate mortgage.
- **Capital :** The term 'capital' means the total net worth of any business establishment, organization or corporation or the total amount invested for financial returns.
- **Capital Account :** Part of a nations balance of payments that includes purchases and sales of assets, such as stocks, bonds, and land. A nation has a capital account surplus when receipts from asset sales exceed payments for the country's purchases of foreign assets, the sum of the capital and current accounts is the overall balance of payments.
- **Cash :** Bills and coins, cheques and other negotiable instruments, that are acceptable at banks and are considered to be liquid assets are collectively known as cash.

- **Cash Advance fee :** Cash advance fee is basically charged when a person uses a credit card to obtain cash. In most cases, it is charged as a percentage to the cash advance.
- **Cash Reserve :** The cash reserve is the total amount of cash that is present in the bank account and can also be withdrawn immediately.
- **Certificate of Deposit :** The certificate of deposit is a certificate of savings deposit that promises the depositor the sum back along with appropriate interest.
- **Cheque :** A cheque is a negotiable instrument that instructs the bank to pay a particular amount of money from the writer's bank, to the receiver of the cheque.
- **Clearing :** Clearing of a cheque is basically a function that is executed at the clearing house, when all amount of the cheque is subtracted from the payer's account and then added to the payee's account.
- **Clearing House :** The clearing house is a place where the representatives of the different banks meet for confirming and clearing all the cheques and balances with each other. The clearing house, in most countries across the world, is managed by the central bank.
- **Central Bank :** A Central Bank is the governing authority of all the other banks in a country (e.g. RBI)
- **Co-borrower :** The co-borrower is a person who signs a promissory note as a guarantee that the loan would be repaid. Thus, the co-borrower plays the role of a guarantor and is equally responsible for the loan.
- **Collateral Security :** Additional security a borrower supplies to obtain a loan.
- **Consumer Credit :** Consumer credit is the credit and loan facility that is provided to the consumer for the purchase of goods, services and real estate property. Most consumer credit is unsecured with the help of a collateral.
- **Compound interest :** Compound interest is the interest that is compounded' on a sum of money that is deposited for a long time. The compound interest, unlike simple interest, unlike simple interest, is calculated by taking into consideration the principal amount and the accumulated interest.
- **Debentures :** A debentures holder is a creditor to the company who loans funds for a period of 7-10 years against a fixed rate of interest. After the stipulated loan period, the debentures are redeemed, i.e, the loan is paid back, sometimes with a very small premium. Debentures are generally secured against the company's assets. Convertible debentures can be either fully or partly converted into a certain number of shares, usually at a premium, after a stated period of time. Convertible debentures may carry a lower rate of interest than non convertible debentures investment; there is little risk but also little prospect of appreciation. It must be noted that debenture holders are not protected by any collateral and tend to be treated like ordinary creditors.
- **Debit :** Debit is a banking term that indicates the amount of money that is owed by a borrower. It also indicates the amount that is payable, or the amount that has been deducted from an account.
- **Debt :** A debt is any amount that is owed by an individual, organization or corporation to a bank.
- **Deposit slip :** A deposit slip is a bill of itemized nature and depicts the amount of paper money, coins and the cheque numbers that are being deposited into a bank account.
- **Depositor :** The degradation in the book and monetary value of a fixed asset as a result of wear and tear in the course of time.
- **Dividend :** A dividend is a part of the profit that is earned by a corporation or joint stock companies, and is distributed amongst the shareholders.
- **Debt Management :** Debt management is a process of managing debts and repaying creditors. Debt management is a very broad concept covering almost anything related to debts and their repayment.
- **Debt Consolidation loan :** A debt consolidation loan is a type of loan, where the bank or the lending institution provides the borrower with a loan that helps the borrower to payoff all his previous debts.
- **Debt Settlement :** Debt settlement is a procedure wherein a person in debt negotiates the price with the lender of a loan, in order to reduce the instalments and the rate of repayment and ensure a fast and guaranteed repayment.
- **Debt Repayment :** Debt repayment is the total process repayment of a debt along with the interest. Sometimes, the consolidation that is provided is also included in debt repayment.
- **Debt Recovery :** Debt recovery is the process that is initiated by the banks and lending institutions, by various procedures like debt settlement or selling of collaterals.
- **Dumping :** Dumping occurs when goods are exported at a price less than their normal value, generally meaning they are exported for less than they are sold in the domestic market or third country markets, or at less than production cost.
- **Encryption :** Encryption is a process that is used to ensure the privacy and security of a person's confidential financial information. The actual process involves scrambling of the data of the person, in such a manner, so that only the person himself can see the data.
- **Exchange :** An exchange is a trade of property, assets, goods or services for consideration of any kind.
- **Exchange Rate :** The price of one currency stated in terms of another currency, when exchanged.
- **Electronic Filing :** Electronic filing is the method of filing of tax returns and tax forms on the internet.
- **Earnest Money Deposit :** An earnest money deposit is made by the buyer to the potential seller of a real estate, in the initial stages of negotiation of purchase.
- **Equity :** Equity is the remainder balance between market value of a given property and the outstanding real estate debt that is

to yet be paid. The equity is a risk that is basically borne by the lender.

- **Expiration Date :** This term indicates the invalidity of a financial document or instrument, after a specified period of time.
- **Exchange Rate :** It is a rate with the help of which one country's currency can be exchanged with the currency of another country.
- **Endorsement :** Handing over of rights of a financial/legal document or a negotiable instrument to another person. The person who hands over his/her rights is known as the endorser, and the person to whom the rights have been transferred is known as the endorsee.
- **Face value :** Face value is the original value of any security or negotiable instrument.
- **Financial Instrument :** A financial instrument is anything that ranges from cash, deed, negotiable instrument or for that matter any written and authenticated evidence, that shows the existence of a transaction or agreement.
- **Financial Intermediary :** A financial intermediary is basically a party or person who acts as a link between a provider who provides securities and the user,who purchases the securities, Share brokers and almost all the banks are the best examples of financial intermediaries.
- **Financial Statement :** A financial statement is a record of historical financial figures, reports and a record of assets, liabilities, capital income and expenditure.
- **Fixtures :** The term ' fixture' is used in the context of a real estate property, when assets like furniture are attached to the real estate and are also included in its book value. Banks, in many cases, are known to include fixtures in the value, if the real estate property has been pledged as a collateral.
- **Foreclosure :** A foreclosure is a standardized procedure where creditors like banks are authorized to obtain the title of the real estate property that has been pledged as a collateral.
- **Foreign Direct Investment (FDI) :** It is investment directly into production in a country by a company located in another country, either by buying a company in the target country or by expanding operations of an existing business in that country. Foreign direct investment is done for many reasons including to take advantages of cheaper wages in the country, special investment privileges such as tax exemptions offered be the country as an incentive to gain tariff-free access to the markets of the country or the region. Foreign direct investment is in contrast to portfolio investment which is a passive investment in the securities of another country such as stocks and bonds.
- **Foreign Institutional Investor (FII) :** An investor or investment fund that is registered in a country outside of the one in which it is currently investing. Institutional investors include hedge funds, insurance companies, pension funds and mutual funds. The term is used most commonly in India to refer to outside companies investing in the financial markets of India. International institutional investors must register with the Securities and Exchange Board of India to participate in the market. One of the major market regulations pertaining to FIIs involves placing limits on FII ownership in Indian companies.
- **Foreign Exchange Reserves :** The stock of liquid assets denominated in foreign currencies held by a government monetary authorities (typically, the finance ministry or central bank). Reserves enable the monetary authorities to intervene in foreign exchange markets to affect the exchange value of their domestic currency in the market, Reserves are invested in low-risk and liquid assets, often in foreign government securities.
- **Fixed Rate Mortgage :** A fixed rate mortgage is a home loan, for which the interest rate remains constant and fixed throughout the lifetime of loan.
- **Foreign Currency Surcharge :** This surcharge is levied by some banks and credit card companies, when a credit card or an ATM is used in a foreign country.
- **Government Bonds :** A government bond, which is also known as a government security, is basically any security that is held with the government and has the highest possible rate of interest.
- **Gross Dividends :** Gross dividends are basically the total amount of dividends that are earned by an individual or corporation in a single accounting and tax year. It must be noted that capital gains are also included in gross dividends.
- **Grace Period :** A grace period is an interest-free period that is to be given by a creditor to a debtor after the period of the loan gets over, before initiating the process of loss recovery. The grace period depends on the amount of the loan and also the credit score of the borrower.
- **Gross Income :** Gross income is the total income of a person, organization or corporation in one financial year, before making any deductions.
- **Grant :** A grant is any type of financial aid that is given by the government.
- **Guarantor :** A guarantor is a creator of trust who takes the responsibility of the repayment of a loan.
- **Holding Period :** The holding period is the time duration during which a capital asset is held/owned by an individual or corporation. The holding period is taken into consideration, while pledging the asset as a collateral.
- **Home Equity Debt :** A home equity debt is a debt, where the borrower's house is pledged as a collateral.
- **Hedge:** Hedge is a strategy that is used to minimize the risk of a particular investment and maximize the returns of an investment. A 'hedge' strategy is, most of the times, implemented with the help of a hedge fund.
- **Instalment Contract :** An instalment contract is a contract where the borrower, who is also the purchaser, pays a series of instalments that includes the interest of the principal amount.
- **Interest :** Interest is a charge that is paid by any borrower or debtor for the use of money, which is calculated on the basis of the rate of interest, time period of the debt and the principal amount that was borrowed. Interest is, sometimes, also titled as the 'cost of credit'.

- **Interest Rate :** It is the percentage of principal amount that is paid as an interest for the use of money. Usually, the interest rate is decided by a country's Central Bank, on the basis of the economic conditions.
- **Joint and Several Liability :** This is a legal term utilized to point that two or more entities are individually entirely responsible, instead of being collectively responsible.
- **Lease :** A contract, through which, the owner (lessor) of a certain property, allows another (lessee) to use the same for a specified period, in exchange for a value called the rent.
- **Letter of Credit :** A document issued by a bank (on behalf of the buyer or the importer), stating its commitment to pay a third party (seller or the exporter), a specific amount, for the purchase of goods by its customer, who is the buyer. The seller has to meet the conditions given in the document and submit the relevant documents, in order to receive the payment. Letters of credit are mainly used in international trade transactions of huge amounts, wherein the customer and the supplier live in different countries.
- **Life Cap :** The upper and lower limit for changes in the borrower's interest rate over the term of his/her loan.
- **Lock-in Period :** A guarantee given by the lender that there will be no change in the quoted mortgage rates for a specified period of time, which is called the lock-in Period.
- **Long Term Debt :** An amount owed for a period exceeding one year, from the date of last balance sheet/ accounting year. Otherwise known as funded debts, long term debts refer to those loans, which become due, after one year from the last balance sheet/accounting year. Such debts can be a bank loan, bonds, mortgage, debenture or other obligations.
- **Monetary Policy :** The regulation of the money supply and interest rates by a central bank in order to control inflation and stabilize currency. If the economy is heating up, RBI can withdraw money from the banking system, raise the reserve requirement or raise the discount rate to make it cool down. If growth is slowing, it can reverse the process-increase the money supply, lower the reserve requirement and decrease the discount rate. The monetary policy influences interest rates and money supply.
- **Money Supply :** The total stock of money in the economy; currency held by the public plus money in accounts in banks. It consists primarily of currency in circulation and deposits in savings and checking accounts. Too much money in relation to the output of goods tends to push interest rates down and push inflation up' too little money tends to push rates up and prices down, causing unemployment and idle plant capacity. The Central Bank manages the money supply by raising and lowering the reserves banks are required to hold and the discount rate at which they can borrow money from the central bank. The central bank also trades government securities (called repurchase agreements) to take money out of the system or put it in. There are various measures of money supply, including M1, M2, M3 and L; these are referred to as monetary aggregates.
- **Mortgage :** A mortgage is a legal agreement between the lender and borrower where real estate property is used as a collateral for the loan, in order to secure the payment of the debt. According to the mortgage agreement, the lender of the loan is authorized to confiscate the property, the moment the borrower stops paying the instalments.
- **Maturity :** The term maturity is used to indicate the end of investment period of any fixed investment or security, After maturity, the investor is repaid the invested amount along with the interest that has been accumulated. For example, on the maturity of a one year fixed deposit, the invested sum along with the accumulated interest, is transferred by the bank to the account of the investor.
- **Mortgage Refinance :** A mortgage refinance involves the replacement of current debt with another debt with more convenient terms and conditions.
- **Negative Amortization :** When the monthly payment is unable to cover the principal and the interest due, there is a slow increase in the mortgage debt. This situation is termed as negative amortization.
- **Non-Luquid Asset :** A possession or asset which cannot be changed into cash very easily is called non liquid asset.
- **Non-recourse loan :** A loan which is secured by collateral and for which the borrower is not personally liable, is called a non-recourse loan.
- **Overdraft :** It is a cheque or rather an amount of cheque, which is above the balance available in the account of the payer.
- **Overdraft Protection :** A service which permits a verification account to be connected to other savings or line or credit for facilitation of protection against overdrafts is called overdraft protection.
- **Origination Fee :** The changes a lender or creditor levies for processing a loan. It includes cost of loan document preparation, verification of the credit history of the borrower and conducting an overall appraisal.
- **Ordinary Dividends :** Dividends, which are a distribution of the profits of a company, are called ordinary dividends.
- **Offline Debit card :** This refers to a card which is issued by a bank and has a VISA or Mastercard logo on it. It can be issued, either instead of or along with, an ATM card.
- **Official Exchange Rate :** Rate at which the central bank will buy and sell the domestic currency in terms of a foreign currency such as the US dollar.
- **Open End Credit :** Open end credit means a line of credit that can be used a number of times, up to a certain limit.
- **Payee :** Payee is the person to whom the money is to be paid by the payer.
- **Payer :** Payer is the person who pays the money to the payee.
- **Personal Ididentification Number (PIN) :** Personal identification number or PIN is a secret code of numbers and alphabets given to customers to perform transactions through an ATM.

- **Previous Balance :** Previous balances is an outstanding amount which appears on the credit card statement on the date when it is generated.
- **Principal :** Principal is the basic amount which is invested to yield returns over a certain period of time at a given rate of interest.
- **Public Debt :** Borrowing by the Government of India internally as well as externally. The total of the nation's debts: debts of local and state and national governments, is an indicator of how much public spending is financed by borrowing instead of taxation.
- **Quick Ratio :** Quick Ratio is also called as the acid test ratio. It measures the company's liabilities and determines its position to payoff its obligations.
- **Quota :** In the context of international trade, this is a limit put on the amount of a specific good that can be imported. Quotas are used to prevent other countries from 'dumping'.
- **Refinance :** Refinance means clearing the current loan with the proceeds of a new one and using the same property for collateral.
- **Revolving Line of Credit :** Revolving line of credit is a rule followed by the lender, which binds him to allow a certain credit to the borrower.
- **Record Date :** A date set by the issuer on which an individual must own the shares, so as to be eligible to receive the dividend.
- **Reconveyance :** In banking terms, reconveyance is transfer of property to its real owner, once the loan or the mortgage is paid off.
- **Redemption Fee :** A commission or fee paid, when an agent or an individual sells an investment, such as mutual funds or annuity.
- **Relative Value :** The liquidity, risk and return of one instrument in relation to another financial instrument is the relative value.
- **Repossession :** Taking back of property by a seller or a lender from the buyer or the borrower due to default of payment.
- **Reserve Account :** An account which is maintained by depositing undistributed parts of profit for future needs is called as a reserve account.
- **Residual Value :** The anticipated value that a company calculates, to sell its asset at the end of its full life.
- **Secured Loan :** A loan which is backed by a pledging of real or personal property (collateral) by the borrower to the lender.
- **Security :** Property or assets, which are pledged to the lender by the borrower, as a guarantee to the repayment of a loan.
- **Seller Carryback :** A form of financing, wherein the seller of a property finances the buyer, who finds it difficult to procure a loan or falls short of the amount needed to buy the property. In short, it is a part of the purchase amount, which the seller offers to finance. This term is also known as carryback loan or seller's second.
- **Syndicated Loan :** A very large loan extended by a group of small banks to a single borrower, especially corporate borrowers. In most cases of syndicated loans, there will be a lead bank, which provides a part of the loan and syndicates the balance amount to other banks.
- **Term Structures of Interest Rates :** this phrase relates to the relationship between interest rates on bonds of different due dates, generally described in the form of a chart, often known as a yield curve.
- **Time Deposit :** A kind of bank deposit which the investor is not able to withdraw, before a time fixed when making the deposit.
- **Treasury bill :** A short-term debt issued by a national government with a maximum maturity of one year. Treasury bills are sold at discount, such that the difference between purchase price and the value at maturity is the amount of interest.
- **Underwriter :** Any investment or commercial financial firm or a securities house that works with an issuing entity for the purpose of selling a new issue.
- **Wholesale Banking :** Banking which offers services to other corporate entities, large institutions and other financial institutions.
- **Withdrawals :** Removing of funds from a bank account is called as making a withdrawal.
- **Without Recourse :** A term which signifies that the buyer is responsible for non-performance of an asset or non-payment of an instrument, instead of the seller.
- **Working Capital :** The difference between current assets and current liabilities.
- **Yield :** the returns earned on a stock or bonds, as per the effective rate of interest on the effective date is called as a yield in the banking terms.
- **Yield to Maturity (YTM) :** The average annual yield that an investor receives because he holds it for life or till the maturity date is called as the yield to maturity.
- **Zero Balance Account :** A bank account which does not require any minimum balance is termed as a zero balance account.
- **Zero Coupon Yield Curve :** it is also called as spot yield curve and it is used to determine discount factors.

Banking and Financial Abbreviation-9

Abbreviations

ABO	Accumulated Benefit Obligation
ABP	Automatic Bill Payment
ACF	Auto-Correlation Function
ACH	Automated Clearing House
AD	Authorized Dealer
ADB	Asian Development Bank
ADR	American Depository Receipt
AFS	Available For Sale
AFS	Annual Financial Statement
AGM	Annual General Meeting
AIRCSC	All India Rural Credit Survey Committee
ALM	Asset Liability Management
AO	Additive Outliers
APR	Annual Percentage Rate
APY	Annual Percentage Yield
AR	Auto Regression
ARIMA	Auto-Regressive Integrated Moving Average
ARM	Adjustable Rate Mortgage
ASSOCHAM	Associated Chambers of Commerce and Industry of India
ATM	Asynchronous Transfer Mode
ATM	Automated Teller Machine
BER	Bank Exchange Rate
BIFR	Bureau of Industrial & Financial Reconstruction
BIS	Bank For International Settlements
BOI	Bank of India
BOP	Balance of Payments
BPM5	Balance of Payments Manual, 5th edition
BPSD	Balance of Payments Division, DESACS, RBI
BRS	Base Rate System
BSCS	Basel committee on Banking Supervision
BSR	Basic Statistical Returns
CAD	Capital Account Deficit
CAG	Controller and Auditor General Of India
CBS	Consolidated Banking Statistics
CC	Cash Credit
CCB	Credit Card Business
CCG	Credit Card Grievances
CD	Certificate of Deposit
CDBS	Committee of Direction on Banking Statistics
CDR	Credit Deposit Ratio
CF	Company Finance
CFRA	Combined Finance and Revenue Accounts
CGRA	Currency and Gold Revaluation Account
CIBIL	Credit Information Bureau (India) Limited
CII	Confederation of Indian Industries
CO	Capital Outlay
CP	Commercial Paper
CPI	Consumer Price index
CPI-IW	Consumer Price Index for Industrial Workers
CR	Capital Receipts
CRAR	Capital to risk Weighted Asset Ratio
CRR	Cash Reserve Ratio
CSIR	Council of Scientific and Industrial Research
CSO	Central Statistical Organisation
CVC	Central Vigilance Commission
CVV	Card Verification Value
DAP	Development Action Plan
DBOD	Department of Banking Operations and Development
DBS	Department of Banking Supervision, RBI
DCA	Department of Company Affairs, (Now known as Ministry of Companies Affairs, MCA) Government of India
DCB	Demand Collection and Balance
DCCB	District Central Cooperative Bank
DCM	Department of Currency Management, RBI
DD	Demand Draft

DDS	Data Dissemination Standards
DEIO	Department of External Investments and Operations
DESACS	Department of Statistical Analysis & Computer Services, RBI
DGBA	Department of Government and Bank Accounts, RBI
DGCI&S	Directorate General of Commercial Intelligence and Statistics
DI	Direct investment
DID	Discharge of Internal Debt
DMA	Departmentalized Ministries Account
DRI	Differntial Rate of Interest Scheme
DSBB	Dissemination Standards Bulletin Board
DVP	Delivry versus Payment
ECB	European Central Bank
ECGC	Export Credit and Guarantee Corporation
ECS	Electronic Clearing scheme
EDMU	External Debt Management Unit
EEA	Exchange Equalization Account
EEC	European Economic Community
EEFC	Exchange Earners Foreign Currency
EFR	Exchange Fluctuation Reserve
EMD	Earnest Money Deposit
EMI	Equated Monthly Installment
EPF	Employees Provident Fund
EUR	Euro
EWP	Early Withdrawal Penalty
EXIM	Export Import Bank of India
FAT	Financial Activities Tax
FCA	Foreign Currency Assets
FCCB	Foreign Currency Convertible Bond
FCNRI(B)	Foreign Currency Non-Resident(Banks)
FCNRA	Foreign Currency Non-Resident Account
FCNRD	Foreign Currency Non- Repatriable Deposit
FCS	Foreign Currency Surcharge
FDI	Foreign Direct Investment
FEMA	Foreign Exchange Management Act
FI	Financial Institution
FI	Financial Inclusion
FICCI	Federation of Indian Chambers of Commerce and Industry
FII	Foreign Institutional Investor
FIMMDA	Fixed Income Money Market and Derivatives Association of India
FISIM	Financial Intermediation Services Indirectly Measured
FLAS	Foreign Liabilities and Assets Survey
FOF	Flow of Funds
FPI	Foreign Portfolio Investment
FRA	Forward Rate Agreement
FRBM	Fiscal Responsibility and Budget Management Act,2003
FRM	Fixed Rate Mortgage
FRN	Floating Rate Note
FSS	Farmers' Service Societies
FWG	First Working Group on Money supply
GDP	Gross Domestic Product
GDR	Global Depository Receipt
GFD	Gross Fiscal Deficit
GFS	Government Finance Statistics
GIC	General Insurance Corporation
GLS	Generalized Least Squares
GNIE	Government Not Included Elsewhere
GOI	Government of India
GPD	Gross Primary Deficit
G-Sec	Government Securities
HDFC	Housing Development Finance Corporation
HFT	Held For Trading
HICP	Harmonised Index of Consumer Prices
Ho	Head Office
HUDCO	Housing &Urban Development Corporation
IBRD	International Bank for Reconstruction and Development
IBS	International Banking Statistics
ICAR	Indian Council of Agricultural Research
ICD	Inter Corporate Deposits
ICICI	Industrial Credit and Investment Corporation of India

ICMR	Indian Council of Medical Research
IDB	India Development Bonds
IDBI	Industrial Development Bank of India
IDD	Industrial Development Department
IFAD	International Fund for Agricultural Development
IFC	International Finance Corporation
IFC(W)	International finance Corporation (Washington)
IFCI	Industrial Finance Corporation of India
IFCI	Industrial Finance Corporation of India
IFR	Investment Fluctuation Reserve Account
IFRS	International Financial Reporting Standard
IFS	International Financial statistics
IFSC	India Financial System Code
IGLS	Iterative Generalized Least Squares
IIBI	Industrial Investment Bank of India
IIP	Index of Industrial production
IIP/InIP	International Investment Position
IMD	India Millennium Deposits
IMF	International Monetary Fund
IN	India
INR	Indian Rupee
IOTT	Input-Output Transaction Table
IP	Interest Payment
IR	Interest Rate
IRBI	Industrial Reconstruction Bank of India
ISDA	International Swaps and Derivative Association
ISO	International Standards Organization
ITRS	International Transaction Reporting System
IWGEDS	International Working Group on External Debt Statistics
KCC	Kisan Credit Card
KVIC	Khadi & Village Industries Corporation
KYC	Know Your Customer
LAF	Liquidity Adjustment Facility
LAMPS	Large-sized Adivasi Multipurpose Societies
LAS	Loan & Advances by States
LBD	Land Development Bank
LBS	Lead Bank Scheme
LBS	Locational Banking Statistics
LC	Letter of Credit
LERMS	Liberalised Exchange Rate Management System
LIC	Life Insurance Corporation of India
LS	Level Shift
LT	Long Term
LTO	Long Term Operation
M1	Narrow Money
M2	Includes M1 plus short term deposits in banks and 24 hour money market fund
M3	Broad Money
MA	Moving Average
MC	Micro Credit
MCA	Ministry of Company Affairs
MICR	Multilateral Investment Guaramtee Agency
MIGA	Magnetic Ink Character Reader
MIS	Management Information System
MM	Money Market
MMSE	Minimum Mean Squared Errors
MOF	Ministry of Finance
MOF	Master Office File
MRM	Monitoring and Review Mechanism
MSS	Market Stabilisation Scheme
MT	Mail Transfer
MTM	Market To Market
NABARD	National Bank for Agriculture and Rural Development
NAC(LTO)	National Agricultural Credit (Long Term Operation)
NAIO	Non Administratively Independent Office
NAS	National Account Statisties
NASSCOM	National Association of Software and Services Companies
NBC	Non Banking Companies
NBFC	Non Banking Financial Companies
NEC	Not Elsewhere Classified
NEER	Nominal Effective Exchange Rate
NEFT	National Electronic Fund Transfer

NFA	Non Foreign Exchange Assets
NFD	Net Fiscal Deficit
NGO	Non Governmental Organization
NHB	National Housing Bank
NIC	National Industrial Classification
NIF	Note Issuance Facility
NNML	Net Non Monetary Liabilities
NOL	Net Operating Loss
NPA	Non Priming Assets
NPD	Net Primary Deficit
NPRB	Net Primary Revenue Balance
NPV	Net Present Value
NR(E)RA	Non Resident (External) Rupee Account
NR(NR)RA	Non Resident (Non Repatriable) Rupee Account
NRE	Non Resident External
NRG	Non Resident Government
NRI	Non Resident Indian
NSC	National Statistical Commission
NSSF	National Small Savings Fund
OD	Over Draft
ODA	Official Development Assistance
OECD	Organisation for Economic Cooperation and Development
OECO	Organisation for Economic Co operation
OFI	Other Financial Institution
OLTAS	Online Tax Accounting System
OMO	Open Market Operations
OSCB	Other Indian Scheduled Commercial Bank
PACF	Partial Auto-Correlation Function
PACS	Primary Agriculture Credit Societies
PCARDB	Primary Cooperative Agriculture and Rural Development Bank
PD	Primary Deficit
PDAI	Primary Dealers Association of India
PDO	Public Debt Office
PDO-INDS	Public Debt Office-cum- Negotiated Dealing System
PDs	Primary Dealers
PES	Public Enterprises Survey
PF	Provident Fund
PIN	Presonal Identification Number
PIO	Persons of Indian Origin
PNB	Punjab National Bank
PO	Principal Office
PRB	Primary Revenue Balance
PSE	Public Sector Enterprises
PSL	Priority Sector Lending
PUC	Paid Up Capital
QRR	Quick Review Report
RBI	Reserve Bank of India
RCBI	Rural Cooperative Bank of India
RD	Revenue Deficit
RDBMS	Relational Database Management System
RE	Revenue Expenditure
REC	Rural Electrification Corporation
REER	Real Effective Exchange Rate
RFC	Residents Foreign Currency
RIB	Resurgent India Bonds
RIDF	Rural Infrastructure Development Fund
RLA	Recoveries of Loans & Advances
RLC	Repayment of Loans to Centre
RLP	Retail Loan Portfolio
RMB	Renminbi (Chinese Currency)
RNBC	Residuary Non Banking Companies
RO	Regional Office
RoCs	Registrars of Companies
RPA	Rupee Payment Area
RPCD	Rural Planning and Credit Department, RBI
RR	Revenue Receipts
RRB	Regional Rural Bank
RRR	Reserve Repo Rate
RTGS	Real Time Gross Settlement
RTP	Reserve Tranche Position
RUCB	Regulation of Urban Cooperative Bank
RUF	Revolving Underwriting Facility

RWA	Risk Weighted Asset
SAM	Social Accounting Matrix
SAS	Statistical Analysis System
SBI	State Bank of India
SC	Schedule Caste
SCARDB	State Cooperative Agriculture and Rural Development Bank
SCB	Scheduled Commercial Bank
SCS	State Cooperative Bank
SCB	Size Class Strate
SDDS	Special Data Dissemination Standards
SDR	Special Drawing Right
SEBI	Securities and Exchange Board of India
SEBs	State Electricity Boards
SFC	State Financial Corporation
SGL	Subsidiary General Ledger
SGSY	Swarnajayanthi Gram Swarozgar Yojana
SHGs	Self Help Groups
SIDBI	Small Industries Development Bank of India
SIDC	State Industrial Development Corporation
SI-SPA	Systems Improvement Scheme under Special Project Agriculture
SJSRY	Swarna jayanti Shahari Rozgar Yojana
SLR	Statutory Liquidity Ratio
SLRS	Scheme for liberation & Rehabilitation of Scavangers
SMG	Standing Monitoring Group
SNA	System of National Accounts
SRWTO	Small road & Water Transport Operators
SSI	Small Scale Industries
SSSBEs	Small Scale Service& Business Enterprises
ST	Schedule Tribe
SWG	Second Working Group on Money Supply
TBs	Treasury Bills
TC	Temporary Change
TFS	Takeout Financing Scheme
TT	Telegraphic Transfer
UALM	Understanding Asset Liability Mismatch
UB	United Bank
UBB	Uniform Balance Book
UBD	Urban Bank Department
UBI	Union bank of India
UCA	Understanding Capital Adequacy
UCB	Urban Cooperative Bank
UCN	Uniform Code Number
UDI	Understanding Deposit Insurance
USD	US Dollars
UTI	Unit Trust of India
UUB	Understanding Universal Banking
VBM	Value Based Management
VC	Venture Capital
WGMS	Working Group on Money Supply: Analytics and Methodology of Compilation
WPI	Wholesale Price Index
WSS	Weekly Statistical Supplement
YTM	Yield to Maturity
ZBA	Zero Balance Account
ZO	Zonal Office

Important Points-10

- Central bank is a bank which acts as a banker to the government has monopoly of note issue and controls the entire banking system.
- RBI is the central bank in India.
- RBI was established by an act of Parliament in 1934.
- The initial share capital for RBI was ₹ 5 crores.
- RBI was nationalized under (transfer of public ownership) act1948
- Its affairs are regulated by central board of directors.
- It has four regional centres at Mumbai, Kolkata, Chennai and Delhi.
- The central office of the bank is at Mumbai.
- RBI is note issuing authority; banker , agent and financial adviser to the government ; custodian of cash reserves of bank , custodian of nation's reserves of foreign exchange ;lender of the last resort; controller of credit etc.
- Currency notes other than one rupee notes are issued by RBI.
- RBI has credit control-regulation of cash reserves of commercial banks, regulating the flow of credit, qualitative control and open market operations.
- Handles all government transactions.
- It is a banker's bank .
- It maintains the exchange rate for the Indian rupee: hold the country's reserves in foreign currencies and administration of the exchange management regulations scheduled commercial banks.
- They are included in the second schedule to the RBI act, 1934
- **They can avail facilities from RBI –** accommodation in the form of refinance and loans and advances; remittance facility at concessive rates as also grant of authorized dealer's license to handle foreign exchange business.
- Have paid up capital and reserves –aggregate value of not less than Rs.5 lakhs.
- It can be a state cooperative bank or company registered under the companies act.
- Scheduled commercial banks are –State Bank of India and associates , nationalized banks private sector banks, regional rural banks urban cooperative banks ,state cooperative banks.
- Scheduled Commercial Banks to maintain CRR up to 3 percent of their demand and time liabilities which can go up to a maximum of 15 percent Public sector banks .
- State Banks of India and associate banks.
- Banks were nationalized on 19.07.1969- Fourteen banks .
- Industrial Finance Corporation of India is a development bank.
- Its operations are project finance, financial services and corporate advisory services.
- Industrial Investment Bank of India was set up in 1971 for rehabilitation of sick industrial companies.
- Reconstituted as Industrial Reconstruction Bank of India in 1985 under the IRBI act, 1984.
- IRBI was incorporated in March, 1997 as Industrial Investment Bank of India Limited under the companies act,1956.
- SIDBI was set up in 1990 under an act of parliament (SIDBI)act 1989 as a wholly owned subsidiary of IDBI.
- It is the principal financial institution for promoting and financing development of industry in the small scale sector.
- 14 banks were nationalized on 19th July 1969 New Private sector banks .
- New private sector banks were formed as per RBI guidelines 1993
- They were registered under companies act 1956
- They were included in second schedule to the RBI act , 1934.
- The minimum paid up capital of a new bank shall be Rs.100 crores
- Priority sector lending norms should be adopted by these banks.
- The banks are governed by the provisions of the RBI act, 1934, the Banking regulation act, 1949 and other relevant statutes.
- They are not allowed to set up a subsidiary or mutual fund for at least three years after their establishment.

Regional Rural Banks

- Regional rural banks were established on 2.10.1975

- ❖ To develop rural economy by providing credit and other facilities for the purpose of development of agriculture, trade , commerce, industry and other productive activities in rural areas, particularly to the small and marginal farmers agricultural laborers, artisans and small entrepreneurs.
- ❖ They are scheduled commercial banks .
- ❖ Included in second schedule to RBI act, 1934.
- ❖ The gross NPAs of regional rural banks should not be more than 10 percent.
- ❖ The banks should comply with the IRDA regulations for acting as a corporate agent.
- ❖ The authorized capital of a regional rural banks is Rs. 5 crore and issued/paid up capital minimum of Rs.25 lakhs and maximum of Rs.100 lakhs.
- ❖ The prescribed minimum level of share holding should be 51 percent for sponsor institutions .

❖ Local Area banks

- ❖ Local area banks were established on 24.08.1996
- ❖ They were set up in the private sector to cater to credit needs of the local people and to provide efficient and competitive financial intermediation services in their area of operation .
- ❖ They are required to observe the priority sector lending target of 40 percent of net bank credit, as applicable to other domestic banks out of which 25 percent shall be given to weaker sections .
- ❖ They were registered as public limited companies as per Companies act, 1956.
- ❖ They got licence as per Banking regulation act 1949
- ❖ Included in the second schedule to RBI act,1934
- ❖ They have the minimum paid up capital of Rs. 5 crore
- ❖ Promoters contribution to be Rs. 2 crores.
- ❖ They can be promoted by individuals , corporate entities, trusts and societies.
- ❖ The area of operation of local area banks shall be a maximum of three geographically contiguous districts
- ❖ To comply with the provisions of the Banking Regulation act,1949,RBI act, 1934 and other statutes
- ❖ They are subject to prudential norms accounting policies and other policies laid down by RBI

❖ Non –Banking Finance Companies

- ❖ NBFCs consist of eight categories – each one of them conducting a particular business activity.
- ❖ Equipment leasing company undertakes equipment leasing or the financing of such activity
- ❖ Hire purchase finance company is engaged in hire purchase transaction or the financing of such transactions
- ❖ Loan company provides finance by making loans or advances or otherwise for any activity other than its own .
- ❖ The main business of any investment company is the acquisition of securities and trading in such securities to earn a profit
- ❖ Mutual Benefit Financial Company are the Companies which are notified by the Central Government under section 620 A of the companies act 1956
- ❖ Miscellaneous non banking company – the principal business of such company is managing, conducting or supervising as a promoter , foreman or agent of any transaction or arrangement by which the company enters into an agreement
- ❖ Housing finance company – acquisition of construction of houses including the acquisition or development of plots of land
- ❖ Residuary non banking company – receives deposits under any scheme of arrangement by whatever name called in one lump sum or in installments by way of contribution or subscriptions or by sale of units or certificates or other instruments or in any manner.
- ❖ Effective 4.3.2003, NBFCs are not allowed to offer more than 11 percent per annum interest on public deposit
- ❖ No official agency guarantees or undertakes the repayment of deposits of interest
- ❖ NBFC deposits are uninsured and not backed by security
- ❖ They are not allowed to offer more than 2 percent brokerage
- ❖ They are not allowed to offer gifts or incentives
- ❖ All depositors must be issued proper receipts for deposits.
- ❖ NBFCs having track record of less than 2 years is not eligible to accept public deposits
- ❖ NBFCs seeking public deposit should be a profit making company.

❖ Life Insurance corporation of India

- ❖ LIC was established in 1956 an wholly owned corporation of the Government of India
- ❖ LIC came into being from 1.9.1956

- To spread life insurance across the country, particularly in the rural areas and to the socially and economically backward classes.
- Besides insurance business, LIC in pursuance of Government of India guidelines invests a major portion of its funds in central and state government securities and other approved securities including special deposits with Government of India.
- Extends assistance to develop infrastructure facilities like housing, rural electrification, water supply and sewerage and provides financial assistance to the corporate sector by way of term loans underwriting off and direct subscription to shares and debentures,
- It also provides resource support to financial institutions through subscription to their shares/bonds and by way of term loans.
- UTI; The largest mutual fund organization in India was set up in 1964 by an act of parliament.
- Established to fulfil the objectives of mobilizing of retail savings, investing them in the capital market and passing on the benefits accrued from the acquisition , holding management and disposal of securities to the small investors.
- General Insurance Corporation of India was formed and registered on January, 1973 under the insurance act 1938 in accordance with the provisions of the General Insurance Business (Nationalization) act, 1972
- The New India Assurance Company Limited; The United India Insurance Company Limited, The Oriental Insurance Company Limited and National Insurance Company Limited are government owned insurance companies doing general insurance business.
- Need based insurance companies to meet the diverse and emerging needs of various segments of society and provides financial assistance to industrial projects by way of term loans, short term loans and direct subscription to shares/debentures of new and existing industrial enterprise.

National Bank for Agriculture and Rural Development

- NABARD was established in 1982 under an act of parliament
- It is the apex development bank for promotion and development bank for promotion and development of agriculture, small scale industries, cottage and village industries, handicrafts and other rural crafts and other allied economic activities in rural areas
- It serves as an apex financing agency for the institutions providing investment and production credit for promoting the various developmental activities in rural areas
- Takes measures towards institution building for improving absorptive capacity of the credit delivery system , including monitoring, formulation of rehabilitation schemes, restricting of credit institution, training of personnel etc.
- Coordinates the rural financing activities of all institutions engaged in developmental work at the field level and maintains liaison with Government of India, state governments, RBI and other national level institutions concerned with policy formulation

Export and Import Bank Of India

- Export and Import Bank of India- EXIM bank was established in 1982
- Public sector financial institution created by an act of Parliament vide-the Export and Import Bank of India act 1981
- Principal financial institution for financing, facilitating and promoting India's foreign trade
- They provide Indian exporters with investment loans, export product development loans, loans for export marketing, pre shipment credit, suppliers credit for exports or projects and advisory services.
- Equity finance available for acquiring of setting up companies abroad for manufacturing , marketing, trading etc.
- It offers buyers credit and lines of credit to foreign governments and banks
- It has facilities to provide advance information and business advisory services to Indian exporters in respect of multilaterally funded projects overseas.
- It offers advisory and information services to exporters and sponsors
- EXIM bank operates various lending programs for promotion of exports of engineering and capital goods and related services from India.
- EXIM- Direct financial assistance to exporters of plant, equipment, machinery and related services in the form of medium term credit
- EXIM- Overseas investment finance to Indian promoters of overseas joint ventures to support their equity investments.
- EXIM Overseas buyers' credit to foreign importers for import of Indian capital goods and related services
- National Housing bank was established on 9.7.1988
- Vide National housing bank act, 1987 to function as a principal agency to promote housing finance institutions and to provide financial and other support to such institutions.
- NHB; issues directions to housing finance institutions to ensure their growth on sound lines

- Make loans and advances and render any other form of financial assistance to scheduled banks and housing finance institutions or to any authority established by or under any central , state of provincial act and engaged in slum improvement
- Formulate schemes for the purpose of mobilization of resources and extension of credit for housing.
- Banks can accept both demand and time deposits from the public
- Interest payable on savings bank accounts is not regulated by Reserve Bank of India
- RBI is the sole authority to issue and manage currency in India
- Accounts are allowed to be operated by cheques in respect of both savings bank accounts and current accounts
- Normally no interest is paid on current deposit accounts
- The usual deposit schemes of the banks are current accounts, savings bank accounts and term deposit accounts
- Fixed deposits and recurring deposits are repayable after an agreed period
- Financial inclusion means provision of financial services namely, payments , remittances, savings, loans and insurance at affordable cost to persons not yet given the same
- Sale of insurance policy to a depositor is known as cross selling by banks
- When a bank returns a cheque unpaid it is called as dishonour of the cheque
- Mortgage is a security on immovable property for a deposit received by a bank
- Mortgage is a security on immovable property for a deposit received by a bank
- Accounts in which shares of various companies are traded in electronic form is called as demat accounts
- NABARD has sought an emergency fund of Rs 1000 crore from banks to tackle acute liquidity crisis, which is coming in the way to give loans to micro borrowers
- Distribution of insurance products and insurance policies by the banks as corporate agencies is known as bank assurance.
- The term L denote Liquidity in 'LAF' as referred every now and then in relation to monetary policy of RBI liquidity
- **The full form of FINO-** a term frequently used in newspapers is called as – Financial Information Network and Operation Limited
- The rate of inflation increases when the purchasing power of money decreases
- Interest on saving bank account is now calculated by banks on daily product basis
- A centralized data base with online connectivity to branches through internet as well as ATM network which has been adopted by almost all major banks of the country is known as core banking
- Treasury bill , commercial paper, certificate of deposit, shares and bonds are called as money market instrument
- Repurchase agreement is not money market instrument
- With a view to facilitate payment of balance in the deposit account to the person named by the depositor without any hassles in the event of death of the account holder, the following facility has been introduced for bank accounts in our country nomination
- Banks in our country normally publicize that additional interest rate is allowed on retail domestic term deposits of senior citizens.
- CRR cash reserve ratio
- SLR statutory reserve ratio
- EXIM bank – export and import bank of India
- NABARD – National Bank for Agriculture and Rural development
- SIDBI – small industries development bank of India
- EDP – entrepreneurship development programme
- SMERA – SME rating agency of India Limited
- NBFC – Non banking finance companies
- NEFT – National electronic funds transfer
- RTGS – real time gross settlement
- Narrow banking is a system of banking under which a bank places its funds only in 100 percent risk free assets with maturity matching for its liabilities.
- NPA – Non performing assets.
- CAR means capital adequacy ratio.
- KYC means know your customer guidelines.
- IPO – Initial public offer.
- QIB – Qualified institutional buyers.
- SEBI – Securities and exchange board of India.
- MICR – Magnetic ink character recognition.

- NSE – National stock exchange.
- BCSBI – Banking codes and standards board of India.
- FEDAI – Foreign exchange dealers association of India.
- ALCO – Asset liability committee.
- ALM – Asset liability management.
- FCNR – Foreign currency non resident deposit accounts.
- CDRS – Corporate debt restructuring .
- IDRBT – Institute for development and research of banking technology.
- YTM – yield to maturity.
- IRDA – Insurance Regulatory and development Authority of India.
- The bank branches which can undertake foreign exchange business directly are known as approved dealers in foreign exchange.
- Insurance cover for bank deposits in the country is provided by DICGC.
- Deposit Insurance and Credit Guarantee Corporation of India Limited is called as DICGC.
- The financial literacy includes the following namely; how to invest the funds; how to use the limited funds carefully; how to minimize the risks and how to reinvest the money earned.
- The loans of very small amounts given to low income group is called as – micro credit.
- When a banker talks about CDR, CDR is meant – Corporate Debt Restructuring.
- ALM is called as Asset Liability Management.
- Cash Reserve Ratio and statutory Liquidity Ratio are terms most closely related to the following industries/markets- banking industry.
- CRR and SLR are not related to capital market, commodities market, money market and mutual fund industry.
- The letter 'L' available in the term LAF commonly used in financial/economic news is called as – liquidity.
- LAF means liquidity adjustment facility.
- The banking ombudsman resolves the complaints of the customers in regard to services provided by the banks.
- Public sector bank, foreign bank, private sector bank and regional rural bank are classified as commercial banks.
- Urban cooperative bank is not a commercial bank.
- SEBI means Securities and Exchange Board of India.
- Money laundering means – the process of conversion of money obtained illegally to appear to have originated from legitimate sources.
- Monetary policy as an arm of the economic policy is administered by – Reserve Bank of India.
- The following is not a primary function of a bank facilitating import of goods.
- The following are the functions of banks – accepting deposits; granting loans; collecting cheques; issuing drafts; selling gold/silver coins.
- The following represent the correct meaning of Repo rate- Rate for borrowing rupees by banks from RBI.
- The reserves which can act as a liquidity buffer for commercial banks during crisis times are CRR and SLR.
- Savings bank accounts are opened by individuals for savings purposes.
- A customer drawing a cheque on a bank has the right to stop payment of the cheque before it is paid.
- The following are the functions of a commercial bank namely; providing project finance; settlement of payments on behalf of the customers; issuing credit and debit cards to the customers and providing services such as locker facilities and remittances.
- Commercial banks do not undertake the following functions; deciding policy rates like CRR, SLR and repo rates.
- Reserve Bank of India undertakes the following rates; CRR; SLR and repo rates.
- The conversion of money which is illegally obtained is called as – money laundering.
- For purchase of white goods, the following loan is granted by the banks – consumer durables loan.
- A cheque which has completed the stipulated validity period of the cheque is called as – stale cheque (The validity period is 3 months as at present)
- The following is a measure taken by RBI in order to control inflation in the country – raising of Repo and Reverse Repo rates.
- What do you understand by the term called as mortgage? Making the security of immovable property available as a cover for a home loan availed by the borrower.
- The following constitutes the largest percentage of retail loans in the country – home loans.
- The credit risk to the bank is high from which of these cards- Credit cards.
- Depreciation of an asset does not occur on account of the following namely; fire in the unit; theft; labour trouble; wear and tear;

- The following are the sources of finance for any commercial bank – capital, borrowing from RBI, deposits and cash reserves with RBI.
- Call money borrowings – is not the source of finance for any commercial bank.
- The rate at which the domestic currency can be converted into foreign currency and vice versa is known as the exchange rate.
- ARCIL – is the asset reconstruction company.
- IRDA – Insurance Regulatory Development Authority.
- BCSBI – Banking Codes and Standards Board of India.
- CIBIL – Credit Information Bureau of India Limited.
- Exchange rate is the term used in the field of economics.
- The performing assets of any bank are called as – standard assets.
- The crossing on a cheque can be cancelled by the drawer of the cheque under his full signature.
- Banks can accept both demand and time deposits from the public.
- Interest payable on savings bank is not regulated by RBI.
- The usual deposit accounts of the banks are – current accounts, savings accounts and term deposit accounts.
- The fixed deposits, reinvestment deposits and recurring deposits are repayable after an agreed period.
- Accounts are allowed to be operated by cheques in respect of current and savings accounts.
- Interest is not paid in current accounts.
- Mortgage is a security on immovable property for loan given by the bank.
- Financial inclusion means provision of – financial services namely; payments, remittances, savings, loans and insurance at affordable cost to persons not yet given the same.
- When a bank returns a cheque unpaid, it is called as – dishonour of the cheque.
- Demat accounts are accounts in which the shares of various companies are traded in electronic form.
- NEFT means – National Electronic Funds Transfer.
- No upper limit has been prescribed for RTGS.
- RTGS means – Real Time Gross Settlement.
- Distribution of insurance products and insurance policies by banks as corporate agents is known as bank assurance.
- Interest on savings bank account is now calculated by the banks on daily product basis.
- Government of India is the largest shareholder (in percentage shareholding) of a nationalized bank.
- Banks in the country normally publicise that additional interest rate is allowed in retail domestic term deposits held by – senior citizens.
- A centralized database with online connectivity to branches, internet as well as ATM network which has been adopted by almost all major banks of the country is known as – core banking.
- Commercial paper is not considered as the money market instrument.
- With a view to facilitate payment of balance in the deposit account to the person named by the depositor without any hassles in the event of death of the account holder, the following facility was introduced for bank accounts in the country – Nomination.
- ATM cards are issued to a person who maintains any of the following accounts namely – savings bank accounts and current accounts.
- ATM is a computer which is dedicated to perform certain specific jobs only.
- ATM is a user friendly machine and the customer does not require any training for using it.
- ATM is totally menu driven which displays instructions to the customer step by step for operating the same.
- A working croup on cheque truncation and E- cheques was constituted by RBI under the chairmanship of Dr. R.B. Barman and major recommendations of group include – the physical cheque will be truncated within the presenting bank; settlement will be generated on the basis of current MICR code line data and electronic images will be used for payment processing.
- RTGS benefits the customer and the bank.
- RTGS means a payment system in which – both processing and final settlement of funds transfer instructions can take place continuously.
- RBI in regard to RTGS has decided that – RTGS would be accessible to all retail customers and there would be no floor ceiling for routing the transactions through RTGS and settlement of transactions.
- State Bank of India is considered to be the first bank to launch a mutual fund.
- In commercial paper the following parties can invest – individuals, banking companies and corporate bodies registered or incorporated in the country and unincorporated bodies, Non Resident Indians and foreign Institutional Investors.

- The commercial paper may be issued in multiples of ₹ 5 lakhs subject to the minimum size of an issue to a single investor being –₹ 5 lakhs
- Commercial paper may be issued for period ranging from seven days to one year.
- Commercial paper is essentially –unsecured money market instrument
- Social control was imposed on commercial banks effective from -1st February ,1969
- Fourteen major Indian banks having deposits of more than ₹ 50 crores were nationalized on 19.07.1969
- With effect from 19.07.1969, the fourteen major Indian banks were nationalized by the Government of India under-the banking companies (acquisition and transfer of undertaking)act 1970
- Effective from 15.04.1980, six banks with demand and time liabilities exceeding ₹ 200 crores were nationalized
- In the wake of Narasimhan committee recommendations the banks which entered into the capital markets-State Bank of India, Oriental Bank of Commerce and Bank of India .
- In the wake of Narasimhan Committee recommendations the financial sector reforms were implemented by the government of India.
- Financial sector reforms aim towards introduction of capital adequacy norms, based upon capital to risk weighted asset ratio; prudential norms relating to classification of assets, income recognition and provisioning; setting up of a strong supervisory and surveillance mechanism for the banking system and financial sector through the Board for financial supervision in RBI.
- According to Hilton Young Commission, the RBI act, 1934 was enacted.
- The Banking Commission was appointed by the Government of India in January, 1969 under the chairmanship of R.G. Saraiya.
- In order to study the functioning of Public Sector banks, James Raj Committee was appointed.
- Kamath working group was appointed to study the problems arising out of the adoption of multi agency in agricultural banking.
- The National Credit Council which symbolized the role of credit planning in development was set up in the year 1968.
- During the year-1966,RBI set up the All India Rural Credit Review Committee in order to-reassess the developments that have taken place in the field of rural credit since 1954,that is subsequent to submission of the report of the All India Rural Credit Survey Commission.
- Talwar committee submitted its report in the year 1977.
- Talwar committee was appointed by Government of India to submit recommendations on customer service on banks.
- In order to review the existing system of inspection of banks by RBI, Pendarkar working group was appointed.
- Under the chairmanship of H.N. Sinor, the working group to examine various issues concerning the deposit rates including floating rate of interest on fixed deposits was constituted by RBI.
- The Joint stock banking system started in the late 18th century/early 19th century.
- The Bank of Bengal got its charter in 1809.
- The first bank in India was set up on modern lines in 1770 by an agency house.
- Bombay stock exchange was made functional as early as 1870.
- The first life insurance company in the country-Oriental Life Insurance company.
- Oriental Life insurance company was established in 1818.
- First General (non life) Insurance company was set up in 1850.
- There were 566 private commercial banks in the country with 4151 branches in 1951.
- The Unit trust of India came into existence in 1964.
- Export Risk Insurance Corporation was set up in July 1957.
- Export Risk Insurance Corporation was converted as ECGC in January 1964.
- ECGC means Export Credit Guarantee Corporation.
- The deposit insurance corporation was set up in 1962.
- The fourteen banks which were nationalized on 19.7.1969 were Central Bank of India; Bank of Maharashtra; Dena Bank; Punjab National Bank; Sindicate Bank Canara Bank; India Bank; India Overseas Bank; Bank of Baroda; Union Bank; Allahabad Bank; United Bank of India; United Commercial Bank and Bank of India.
- Six banks were nationalized during the second stage on 15.4.1980.
- Regional Rural Banks were set up in 1975.
- NABARD was established in 1982.
- NABARD means National Bank for Agriculture and Rural Development.
- Securities and Exchange Board of India was established in 1988.
- Licensing for new private sector banks was issued in 1993.

- Indian financial system is composed of three components-financial assets, financial markets and financial intermediaries or institutions.
- Financial assets are classified into primary or direct securities and secondary or indirect securities.
- Financial markets can be classified into money market and capital market.
- Financial intermediaries can be classified into organized and unorganized.
- Organized financial intermediaries can be classified into banking institutions and non banking financial institutions.
- Primary securities are those securities which represent financial claims against real sectors.
- Real sectors represent bills, bonds, shares, book debts etc.
- National savings certificates, infrastructure bonds, Indira Vikas Patras, Krishi Vikas Patra etc. Are examples of financial assets.
- Money market is the center of dealings mainly of short term character in monetary assets.
- The capital market deals in long term funds, both debt and equity.
- Financial instruments of the capital market are classified into the following two categories namely; government or gilt edged securities and corporate securities.
- The main financial instruments of corporate sector are-shares, debentures, public deposits and loan from institutions.
- Banking commission was establishes in 1972.
- Capital market is a market which deals in long term funds.
- Regional Rural Banks fall within supervisory purview of RBI.
- IRDA is the regulatory authority for all insurance companies in the country including LIC of India.
- IRDA has its headquarters at Hyderabad.
- Mutual funds fall within the supervisory purview of SEBI.
- Export and Import Bank of India does not fall within the purview of development banks.
- State Bank of India was formulated as per SBI act 1955.
- ICICI Bank Limited is the first Universal Bank established in the country.
- New Bank of India merged with Punjab National Bank.
- The central monetary authority of the country is Reserve Bank of India.
- Scheduled commercial banks are banks which have been included in the second schedule of RBI act, 1934; registered under companies act and got licence as per Banking Regulations act 1949.
- When the banks entertain in dealing with insurance business, it is called as bankassurance.
- Universal banking is the roof under which various banking products are available.
- When the repayment period of any loan is upto 36 months, the loan is called as short term loan.
- When the repayment period is between 37 to 84 months, such loans are called as medium term loans.
- When the repayment period is more than 84 months, they are called as long term loans.
- In the case of Regional Rural Banks, the contribution structure between Government of India, State Government and Sponsoring bank are in the ratio of 50:15:35.
- Laxmi Commercial Bank merged with Canara Bank.
- **CAMEL denotes** : capital adequacy, asset quality, management, efficiency and liquidity.
- Banks are subject to operational risk, market risk, liquidity risk.
- When the ATM machine installed in the bank is out of order, it is called as operational risk.
- When the computers are not functioning, it is called as operational risk.
- When the loans are not repaid in time, it is called as credit risk.
- When the banks products fail to survive in the market, it is called market risk.
- When the banks are not able to pay the amount to the depositors, it is called as liquidity risk.
- IFSC code denotes the branch code of any bank.
- IFSC code consists of eleven digits.
- Tissue culture denotes propagation of cells.
- Aqua culture denotes shrimp farming and fish production.
- Horticulture means fruit production.
- Sericulture means silk production.
- Pisciculture means fish farming.
- Apiculture means honeybee rearing.
- Sylvi culture means cultivation of fodder crops.
- Moriculture means cultivation of mulberry.

- Olericulture means vegetable cultivation.
- Increase in agriculture production is called as green revolution.
- When the activity relates to milk production, it is called as white revolution.
- When the activity relates to meat production, it is called as red revolution.
- When the activity relates to coco production, it is called as brown revolution.
- When the activity relates to rubber production, it is called as black revolution.
- When the activity relates to fish farming, it is called as blue revolution.
- When the activity relates to cultivation of oil seeds and pulse production, it is called as yellow revolution.
- When the activity relates to flower production, it is called as rainbow revolution.
- Marginal farmer is one who has irrigated lands less than 1.25 acres or non irrigated lands less than 2.5 acres.
- Small farmer is one who has irrigated lands less than 2.50 acres or non irrigated land less than 5.00 acres.
- Agricultural laborer is one whose 50 percent of income is from agriculture.
- **The old private sector banks in the country are:** City Union Bank, Tamilnadu Mercantile Bank, SBI Commercial Bank, Catholic Syrian Bank, Dhanalakshmi Bank, Federal Bank, Jammu and Kashmir Bank, Karnataka Bank, Karur Vysya Bank, Lakshmi Vilas Bank, Nainital Bank, Ratnakar Bank, South Indian Bank Limited, ING Vysya Bank Limited.
- The new private sector banks in the country are: Axis Bank, Development credit bank, HDFC Bank, ICICI Bank, Indus Ind Bank, Kotak Mahindra Bank, Yes Bank.
- The subsidiaries of State Bank of India are; State Bank of Patiala; State Bank of Hyderabad Bank; State Bank of Travancore; State Bank of Bikaneer and Jaipur and State Bank of Mysore.
- Oriental Bank of Commerce has taken over Global Trust Bank.
- The account in which trading of shares in their electronic form is called as DEMAT account.
- Reserve Bank of India issues all the currency note except one rupee note.
- RBI does not transact the business of the following state government namely Jammu and Kashmir.
- NRI deposits are called as hot money.
- Euro Bond is an instrument issued in a country other than the country of the currency of the bond.
- National Income Estimates in India are prepared by Central Statistics Commission.
- Full convertibility of a rupee means determination of rate of exchange between rupee and foreign currencies freely by the market forces of demand and supply.
- RBI has prescribed that all scheduled commercial bank should maintain their SLRs in dated securities notified by RBI; treasury bills of Government of India and State Development Loans.
- LAB means local area banks.
- The first Private bank in India to receive an in principle approval from Reserve Bank of India was Housing Development Fiancé Corporation Limited.
- The actual return of an investor is reduced sometimes as the prices of the commodities go up all of a sudden. In financial sector, this type of phenomenon is known as- market risk.
- Rashtriya Swastiya Bima Yojna started rolling from 1.4.2008.
- Banking regulation act, 1949 does not at all apply to primary agricultural credit societies and cooperative land mortgage banks.
- As per the provisions of section 12 of the Banking Regulations act, 1949, the minimum ratio between the authorized, subscribed and paid up capital of a banking company should be 4:2:1.
- The first public sector bank to issue capital to public is Oriental Bank of Commerce.
- The New Private Sector Banks have been authorized to be set up under the new liberalization policy and the minimum paid up capital should be- ₹ 200 Crore.
- The Banking Companies act, 1949 was enacted to consolidate and amend the law relating to banking companies with effect from.
- 1.3.1966 and the name of the act has been changed to- The banking regulation act.
- The management of SEBI consists of- chairman and five members.
- The following is the reason for the success of mutual fund-mutual fund scheme offers to every investor security, steady growth, regular income and easy liquidity; a small investor gets the professional expertise of the fund managers of the mutual fund and it carries tax breaks and this benefit is passed on to the investor 09. The individual investor can claim tax exemption for both principal amount and income from these units under- Sec 80 E of the information technology act.
- The main objectives of special electronic fund transfer scheme –SEFT- it is safe ; secure and same day electronic interbank transfer of funds across the country.

- Treasury bill is –negotiable security.
- RBI functions as the agent of the central government issues –treasury bills.
- The treasury bills are issued at a – discount.
- NABARD extends refinance to-State Land Development Banks, State Cooperative Banks; Regional Rural Banks and Commercial Banks other financial institutions approved by RBI.
- Automatic refinance scheme is available to the persons financed under –the scheme of setting up of agriclinic and agribusiness centres ; rural non farm sector (investment credit) up to ₹ 15 lakhs and composite loan scheme.
- The objective and functions of IDBI include- to provide technical and administrative assistance for promotion or expansion of industry; to undertake market and investment research and survey technical and economic studies in connection with development of industry and to act as lender of last resort and to finance projects that are in conformity with national priorities.
- For availing refinance from IDBI- the industrial should not be SSI ; promoter's contribution should be 25% of project cost and debt equity ratio should not be more than 2:1.
- Central Cooperative Banks – serve as the connecting links between State Cooperative Banks and Primary Credit Societies; finance the primary credit societies which balance the excess and deficiency in their resources but do little commercial banking and are closer to the primary societies than an apex bank.
- The primary function of a central cooperative banks is –to mobilize the resources in the district for financing its members; to channelize the flow of funds from the state cooperative banks and to mobilize deposit from state government.
- Diversification refers to entering into attractive opportunities.
- Diversification means the activities outside the existing businesses of the firm.
- The various type of diversification generally observed by the business-concentric diversification, horizontal diversification and conglomerate diversification.
- The world over most of the supervisory authorities have adopted the following as the following as the basis of assessment of capital adequacy-risk assets ratio system.
- The committee on Banking and Regulations and Supervisory practices which released the agreed frame work on international convergence of capital measures and capital standards in July, 1998 is popularly known as-Basle committee.
- Basle committee adopted weighted risk assets approach which assigns weights to – on balance sheet exposure of a bank and off balance sheet exposure of a bank.
- CBS-Core Banking Solution .
- The benefits of Core Banking Solutions –benefit of not carrying the cash from one place to another; depositing money anywhere in the country where the bank is present and instant updating of the accounts.
- Network can be defined as- a system of communication between various Computers used by different users.
- Retail banking refers to provision of the basic services of a bank to the individuals .
- The following are categorized under retail banking –personal loans to individuals; vehicle loans ; home loans and credit cards.
- The reduction in the SLR by RBI – will augment the resources of scheduled commercial banks.
- Under sections 20, 21 and 21A of the RBI act, 1934, RBI manages the public debt and issues new loans on behalf of the central and state governments.
- Social control of banks was introduced during the year-1967.
- The following form the part general insurance –fire, burglary, theft, marine ,household ,vehicles etc.
- FDMA means –Frequency Division Multiple Access.
- Full form of ERNET –Educational and Research Network.
- Application of VSAT in bank is – inter branch reconciliation; funds and securities movement; payment system and monitoring and MIS reporting,
- The various facilities offered by banks through tele banking –balance enquiry; enquiry about collection or specific credit / debit transactions; transfer of funds and request for statement of accounts ets.
- Home banking refers to –how banking is an extended version of tale banking ; in home banking the customer is able to access his bank account from his home for availing a variety of services which is made available and home banking is availed through the customer's personal computer attached to a telephone line and modem.
- For availing home banking facility, a client should have the following –personal computer, modem and telephone
- line.
- The functions of IRDA- it has power to specify the code of conduct for surveyors and loss assessors; it has power to regulate investment of funds by insurance companies; it has power to supervise the functioning of tariff advisory committee and it has the duty to regulate, promote and ensure orderly growth of the insurance and re-insurance business in the country.

- The compelling reasons for bank nationalization are- concentration of which and economic power in the hands of industrialists and businessmen; branch expansion was confined to urban areas and rural areas were being neglected; sectors like agriculture, small scale industries and the other deserving sectors were outside the purview of bank lending operations and various malpractices indulged in by banks under private ownership.
- Regional Rural Banks are allowed to pay half percent additional interest on savings accounts and time deposits less than three years.
- The regulatory authority for Regional Rural Bank is RBI and NABARD.
- Bank rate means the standard rate at which the RBI is prepared to buy or rediscount bills of exchange and other commercial paper eligible for purchase under the RBI act 1934.
- When RBI desires to restrict expansion of credit it raises the bank rate.
- In periods of depression, when the Reserve Bank of India desires to encourage the banking system to create more credit, it reduces the bank rate.
- Sub section 12 AB of system 17 of the RBI act, 1934 defines the term: Repo.
- Repo is an instrument for borrowing the funds by selling securities of the central government or a state government or of such securities of a local authority as may be specified in this behalf by the central government or foreign securities, with an agreement to repurchase the said securities on a mutually agreed future date at an agreed price which includes interest for the funds borrowed.
- Sub section 12AB of section 17 of the RBI act 1934 defines the term- Reverse repo rate.
- Financial instrument of the capital market are classified into the following two categories namely; government or gilt edged securities and corporate securities.
- The financial instrument of corporate sector are: shares, debentures, public deposits and loans from institutions.
- Financial intermediaries are those institution which collect saving from those who save and make it available to the investors for their use.
- The financial intermediaries or institution are mainly classified into two categories namely; institutional or organized; non institutional or unorganized.
- Institutional or organized are mainly divided in to two parts namely; banking institutions and non banking financial intermediaries.
- The financial regulatory authorities in India are: Reserve Bank of India, Securities and Exchange Board of India and Insurance Regulatory and Development authority.
- **SEBI-** securities and exchange board of India.
- **IRDA-** Insurance Regulatory and Development Authority.
- **IRDA** was established in 1990.
- **IRDA** has its headquarters at Hyderabad.
- The financial institution perform a number of functions: promoting savings, mobilizing savings and allocate it among different users and facilitating capital formation, production and economic development.
- The financial markets in the country can be divided into money markets and capital markets.
- Money market refers to that market wherein short term monetary assets are bought and sold.
- Financial institutions can be either in the organized sector or unorganized sector.
- RBI, Commercial Banks, Cooperative Banks are in organized sector.
- Indigenous banks, money lenders, chit funds etc are in the unorganized sector.
- Financial instruments include bills, treasury bills, promissory note, hundies, certificate of deposits etc.
- The important terms which relate to money market are: money market, call money, notice money, term money, held till maturity, yield to maturity, coupon rate, treasury operations and gild edged security.
- Under call money market, funds are transacted on overnight basis and under notice money, market funds are transacted for the period between 2 days and 14 days.
- The participants in call/notice money market currently include banks, primary dealers, development finance institutions, insurance companies and select mutual funds.
- Treasury bills are money market instrument used to finance the short term requirement of the Government of India.
- There are different types of treasury bills based on the maturity period and utility of the issuances like, ad-hoc treasury bills, 3 months, 6 months and 12 months treasury bills.
- Treasury bills etc. In India at present are issued for the following periods namely; 91 days, 182 days and 364 days.
- Call money is an amount borrowed or lent on demand ford very short period.

- When the period of call money is more than one day; however , lesser than 14days it is called as notice money .
- Certificate of deposit is a negotiable promissory note , secure and short term of up to a year in nature .
- Commercial paper is freely negotiable by endorsement and delivery.
- An inter corporate deposit or ICD is an unsecured loan extended by the corporate to another .
- Ready forward contracts are transaction in which two parties agree to sell and repurchase the same security.
- Bills of exchange are negotiable instruments drawn by the seller or drawer of the goods on the buyer or drawee of the goods for the value of the goods delivered.
- Pass through certificate is an instrument with cash flows derived from the cash flow of another underlying instrument or loan.
- Pass through certificate have two to three year maturity because the issuance stame duty rate makes shorter duration PTCs unvible.
- A bill market is the market which deals in short term bills.
- The bills may be of two types i) bills of exchange or commercial bills and ii)finance bills or treasury bills.
- Bill market scheme was introduced by Reserve Bank of India in 1952.
- New Bill market scheme was introduced by RBI in 1970.
- The gilt edge market refers to the market for government and semi government securities, backed by RBI.
- The industrial securities market refers to the market which deals in equities and debentures of the corporate.
- Industrial securities market is divided into primary market and secondary market .
- Securities and Exchange Board of India was established during the year -1988.
- Securities and Exchange Board of India got its legal status in 1992.
- CRISIL – Credit Rating Information Services of India –was established in 1988.
- ICRA- Investment Information and Credit Rating Agency of India Limited –was established on 1991.
- CARE –Credit Analysis and Research Limited –was established in 1991.
- IEPF- Investors Education and Protection Fund was set up by SEBI in 2001.
- NSE has introduced the derivatives trading in the equities in November,2001.
- IRDA-Insurance Regulatory and Development Authority was set up in 2000.
- CCIL-Clearing Corporation of India Limited .
- OTCEI- Over the counter exchange of India-was incorporated in 1990 under the companies act1956.

Important Foreign Banks in India

- Standard and Chartered Bank –United Kingdom
- HSBC- United Kingdom
- Royal Bank of Scotland – United Kingdom
- Barclays Bank –United Kingdom
- Citi Bank –United States of America
- Citi Bank-USA
- JP Morgan chase bank – USA
- Bank of America – USA
- ABN AMRO Bank- The Netherlands
- ABU Dhabi Commercial Bank – UAE
- Bank of Ceylon –Sri Lanka
- BNP Paribas Bank –France
- Societe Generale- France
- China Trust Commercial Bank- Taiwan
- Deutsche Bank-Germany
- Scotta Bank – Canada
- DBS Bank- Singapore
- The administrative heads of the department heads are responsible for compliance of Official Language Policy of Government of India.

- The locker holder is sick and as such he gives an authority in favor of the minor son to operate the locker and in this case, the bank can allow the minor to operate the locker.
- You come across a cheque on which neither the words bearer nor order are written. You will make the payment of this cheque by treating it as an order cheque.
- Debt Service Coverage Ratio denotes solvency position of the firm.
- Shroff committee had recommended that companies entering into merger and acquisition transactions, making preferentaial allotment of shares to related parties and proposing buyback of shares must appoint registered valuer for independent valuation of shares and assets.
- Debt equity ratio denotes the solvency position of the firm.
- The accountholder is the drawer of the cheque.
- Not negotiable crossing means that the holder in due course will not get the better title.
- Account opening form is a very important document because it forms the basis of contract between the bank and the customer and it contains the offer of the customer to enter into a contract with the bank.
- The following are not abound on a negotiable instrument as drawer, acceptor or endorser – a lunatic , an alien enemy and an insolvent.
- An order cheque is transferable only by endorsement and delivery.
- "Account Payee" crossing is not mentioned in the Negotiable Instrument Act-1881.
- The 'protest' is the formal notarial certificate attesting the dishonour of the bill, and based upon the noting.
- A person wo owns unirrigated land of 3 acres will be classified as a small farmer.
- A restricted letter of credit is one in which the negotiation is restricted to a specific bank.
- Red Clause letter of credit is one which authorizes release of Preshipment finance to the beneficiary.
- Limited company means- limited liability clause in memorandum of association.
- Garnishee Order is issued under Rule 46 of Order XXI of the schedule to the code of civil Procedure-1908.
- A contract of guarantee is defined as – a contract to perform or discharge the liability of the principal debtor in the case of his default.
- To be a valid acceptance the drawee shall affix his signature with or without the words-"Accepted".
- A Government company means 51% of the paid up share capital is held by State Government and\or Central Government.
- If the registrar of DRT refuses to file the suit due to discrepancies in copybook, the bank can file the appeal before presiding officer of DRT within 15 days.
- Lok adalats are constituted under Legal Services Authorities act.
- Stamp duty earned by the government on demand promissory note goes to the state government.
- When the bill becomes due for payment- it is the starting point of limitation on a bill of exchange payable at a fixed time after date.
- Cash Reserve Ratio is maintained by the banks by keeping cash balance with Reserve Bank of India.
- Nomination facility can be allowed in the following cases- deposit account of individuals, articles kept in safe custody and lockers.
- A certificate of deposit is an usance promissory note.
- Subordinated debt is an element of tier II capital.
- Accumulated loss will be deducted from tier I capital.
- Vaghul Committee had recommended the introduction of Certificate of deposits.
- The basic nature of a Commercial paper is – it is usance promissory note.
- 'A pass through certificate'- PTC can be of the following nature in securitization transactions- with recourse and without recourse.
- Global depository receipt is listed on stock Exchange outside USA.
- Simultaneous Sale and purchase of a share to take the benefit of the variation in prices in two different markets is called- Arbitrage.
- Debt Recovery tribunals have been created by the Government as a result of the recommendations of Narasimhan Committee.
- When a bill matures on a public holiday, the maturity date of the bill falls on the next preceding business day.
- A negotiable instrument can always be negotiated until it has been paid up or satisfied.
- In the case of dishonor of a foreign bill, protest is compulsory when it is required by the law of the place where it is drawn.
- An engineer is financed for the purchase of a car. The same can be classified as Non priority sector.
- Under drip irrigation system water is used very economically and supplied drop to the roof zone of crop.

- 'Yellow Revolution' is in connection with growing of fruits specially banana.
- The economic life of a tractor is – 10 years.
- The natural guardian of a married minor girl is her husband.
- The minimum number of share holders in a private limited company- two members.
- To open an 'Administrator account' the bank requires letter of administration.
- Karta has the absolute authority to appoint any person as an agent and the agent need not to be a family member.
- Garnishee Order – is the court order obtained by judgment creditor attaching funds with Bank of judgment debtor.
- Indemnity means to make good the loss to the promise/indemnity holder.
- A bearer who takes a bearer cheque bonafide and for value will be a holder in due course.
- Mortgage is defined in – Section 58 of transfer of property act 1882.
- A banker can exercise the right of set-off only in respect of debts due and determined.
- Banks are restricted to advance against its own shares – as per "Banking Regulation Act",
- The recovery of dues after issuance of recovery certificate by presiding Officer of DRT can be made through – Recovery Officer of DRT.
- The roles of Lok Adalat – to arrive at compromise or settlement; issue final judgment and to give the consented decree.
- The remedy under Section 138 of Negotiable Instruments Act is available – when the cheque is presented to paying banker within a period of six months or within the period of its validity whichever is earlier.
- In case a document 'ravels from higher stamp area to lower stamp area, additional stamps are not required to be affixed.
- The purpose of maintaining a 'documents execution register' is that it is a prima facie evidence of execution of documents.
- One rupee note bears the signature of the Secretary, Ministry of Finance.
- Nomination facility is not allowed in joint safe custody accounts.
- Free capital is a part of tier I capital.
- Malhotra Committee had suggested to establish an "Insurance Regulatory Authority".
- Capitalisation of reserves leads to issue of bonus shares.
- Dear money policy is meant to control inflation.
- Since an illiterate borrower cannot sign acknowledgment of debt, he affixes his thumb impression on it. The limitation period will be extended by this action.
- Section 45 Z of Banking Regulation Act relates to handing over of original paid cheques to the corporate customer.
- As per the prompt Corrective Action scheme, RBI can initiate certain structured actions in respect of the banks which have hit the trigger points in terms of CRAR, Non performing advances and Return on advances.
- Under Know your Customer guidelines, the identification and reporting of suspicious transactions are to be done on quarterly basis to Audit Committee of the board of directors.
- To prevent slippage of accounts to NPA category, RBI has designed broad framework detailing preventive and corrective measures. One of the measures is the introduction of new asset category between 'standard' and 'sub standard'. This category is called Special mention accounts.
- While opening accounts of Executors and Trustees to the estate of a deceased person, Bank should scrutinize the trust deed, order of charity commissioner and probate.
- Stamp duty on which of the following documents does not vary from state to state called Mortgage agreements, hypothecation agreements, guarantee agreements and bills of exchange.
- If no time for payment is specified in a promissory note or bill of exchange, such an instrument is considered as- instrument payable on demand.
- Acceptance is not required in the case of promissory note and demand bill of exchange.
- To open an executor account the bank should insist on probate.
- In a balance sheet , profit is shown under liabilities side.
- The term- preshipment advances is used to describe advances granted to exporters for the purpose of manufacturing. Processing, packaging etc. Or simply procuring goods meant for export.
- In an account of a minor operated by the guardian, after the death of the guardian, the balance cannot be paid to the minor even though he has completed the age of 10 years.
- On the death of a partner, the firm having credit balance stands dissolved and to wind up the affairs of the firm the surviving partners are allowed to jointly operate the account and if it decides to continue after registering the municipal death certificate recording fresh mandate for operation, the existing account can be continued and operation allowed.
- Garnishee order attaches debts due or accruing due. This means deposits payable on demand and payable at a future date.

- Parties to a guarantee are Principal debtor, surety and creditor ,
- A cheque may be crossed by drawer or holder.
- The purpose of mortgage is to possess the ownership of others property.
- A banker can set-off the amount held in the time deposit account of customer against the debit balance of the same customer in overdraft account only after maturity of the fixed deposit.
- Civil Procedure code provides the provision exemption for arrest in execution of a decree for money under Section 56.
- Money laundering prevention act 2002 became effective since 1.7.2005.
- Cooperative Bank organization in India has three tier set up-Primary credit society ; district cooperative bank and state cooperative bank.
- The foreign direct investment limit in private sector bank is 74%
- RBI has partial control on- cooperative bank.
- The committee which has proposed National Rural Bank is N. Janardhan Reddy committee,
- The organization whose functions has been taken over by NABARD from RBI are- Agricultural Refinance and Development Corporation; National Agricultural credit fund (long term operation) and National Agricultural credit fund (stabilization).
- The first modern bank in India – Presidency Bank and it was established during 1806.
- International Monetary Fund was established on 27.12.1945.
- International Monetary Fund has its headquarters at Washington DC.
- World Bank was established during the year 1944 and it has its head office at Washington DC.
- World Bank is a group of International Bank for Reconstruction and Development; International Development Agency; Multi lateral Investment of Guarantee Agency and International Centre of Settlement Investment Dispute.
- IBRD –International Bank for Reconstruction and Development was established in 1945.
- IDA- International Development Association was established in 1960
- IFC was established in 1956.
- ICSID- International Centre for settlement and Industrial Disputes was established in 1966.
- MIGA- The Multilateral Investment Guarantee Agency was established in 1988.
- Asian Development Bank was established in December, 1966.
- Asian Development Bank has its head office at Manila.
- World Trade Organization –WTO was established during the year, 1995 and it has head office at Geneva.
- OPEC- Organization of the Petroleum Exporting Countries was established in 1960
- Association of South East Asian Nations was established on 8.8.1967 and it has head office at Jakarta.
- Imperial Bank was established during the year, 1921.
- Reserve Bank of India was established in 1.4.1935.
- RBI was nationalized on 1.1.1949.
- Industrial Finance Corporation of India was established during year, 1948
- ICICI was established during January, 1955.
- Unit Trust of India was established on 1.2.1964.
- Industrial Development Bank of India was established during July , 1964
- NABARD- was established on 12.7.1982.
- IRBI- Industrial Reconstruction Bank of India was established on 20.3.1985.
- IRBI has been renamed as IIBIL since 6.3.1997.
- SIDBI was established during 1990.
- SIDBI- Small Industries Development Bank of India.
- ICICI- Industrial Credit and Investment Corporation of India.
- EXIM Bank was established on 1.1.1982.
- National Housing Bank was established during July, 1988.
- Life Insurance corporation of India was established during September, 1956.
- General Insurance Corporation was established during November, 1972.
- Regional Rural Banks were established during 2.2.1975.
- Risk Capital and technology Finance Corporation Limited was established during March 1975.
- Technology Development Information Company of India Limited was established during the year 1989.
- Infrastructure Leasing and Financial Services Limited during the year, 1988.
- Housing Development Finance Corporation Limited was established during the year, 1977.

- State Bank of India was established during the year, 1955.
- Securities and Exchange Board of India was established during the year, 1988.
- Asian Development Bank- ADB established during the year 1966 has its head office at Manila- Phillipines.
- Asian Pacific Economic Cooperation – APEC established during the year, 1989 has its headquarters at Singapore.
- Shanghi Cooperation Organization – SCO established during the year, 1966 has its headquarters at Beijing – China
- African Union established during the year, 2001 has its head office at Addis Ababa- Ethiopia.
- European Union established during the year, 9191 has its headquarters at Brussels (Belgium).
- Caribbean Development Bank - CDB established during the year, 1969 has its headquarters at St. Michael – Barbados.
- Shiksha Sahyog Yojana- SSY was launched during the year 2001-2002 with an objective to provide education for children living below poverty line.
- Sampoorna Gramin Rojgar Yojana –SJRY was launched during the year,2001 for providing employment and food security.
- Jai Prakash Rojgar Guarantee Yojana- JPRGY was launched during the year 2002-2003 to provide employment guarantee to unemployed in the most backward districts in the country.
- National Food for work programme- NFFWP was launched during the year 2004- to intensify the generation of supplementary wage employment.
- Bharat Nirman Programme – BNP was launched during the year 2005- for the development of rural infrastructure including six components; irrigation , water supply, housing road, telephone and electricity.
- National Rural Health Mission- NRHM was launched during the year 2005 to provide accessible, affordable and accountable quality health services to the poorest households in the remotest rural regions Jawaharlal Nehru National Urban Renewal mission was launched during the years, 2005-2006 to assist cities and towns in taking up housing and infrastructural facilities to the urban poor.
- National Rural Employment Guarantee Act- NREGA was launched during the year, 2006 to provide at least 100 days wage employment in rural areas.
- Ujjwala scheme was launched during the year , 2007 for the prevention of trafficking and rescue, rehabilitation and reintegration of victims of trafficking for commercial sexual exploitation.
- Aam Aadmi Bhima Yojana – AABY was launched during the year, 2007 – to provide insurance to the head of the family of rural landless households in the country against death and disability.
- Rashtriya Swasthiya Bina Yojana –RSBY was launched during the year, 2007. As per the scheme the workers and their family members in the unorganized sector , living below poverty line will be covered for health care, smart cards to be issued to the beneficiaries to enable cash less transaction – the total sum assured is Rs.30000 per family per annum. Central and state share is 75:25
- Indira Gandhi National Old Age Pension Scheme-IGNOAPS was launched during the year, 2007 to provide monthly pension of Rs. 200 to those people living below poverty line, who has crossed 65 years of age .
- Unorganised workers social security act was launched during the year 2008 to provide social security to the poor workers and their families working in un-organised sector.
- Indira Gandhi National Window Pension Scheme and Indira Gandhi National Disability pension Scheme were launched during the year ,2009 to provide pension of Rs.200 to widows between the age group 40-64 years and disability pension scheme aims to provide pension to severely disabled persons .
- Pradhana Mantri Adarsh Gram Yojana was launched during the year,2009 – with the main objective for integrated development of 1000 villages having population of scheduled castes above 50%.
- Sarva Siksha Abyan was launched during the year 2010-2011 to provide scholarship for SC/ST students of classes IX and X.
- MGNREGA Was launched during the year 2011-to increase the remuneration of Anganwadee Workers from Rs.1500 to 3000 per month and for Anganwadee helpers from Rs.750 to Rs. 1500 per month.
- BSE-is situated at Mumbai.
- NSE-National Stock Exchange was incorporated in 1992.
- NSE was incorporated by Industrial Development Bank of India, Industrial Credit and Investment Corporation of India, Industrial Finance Corporation of India, all insurance corporations selected commercial banks and others.
- NSE provides exposure to investors in two types of markets namely, wholesale debt market and capital market.
- Capital market is the market for long term funds .
- A saving bank is a financial institution whose primary purpose is to accept savings deposits.
- Acommercial bank is an institution which accepts deposits, makes business loans and offers related services.

- ❖ Development Banks are those financial institutions engaged in the promotion and development of industry, agriculture and other key sectors.
- ❖ Development banks are IFCI; ICICI and IDBI.
- ❖ IFCI- Industrial Finance Corporation of India.
- ❖ ICICI- Industrial Credit and Investment Corporation of India.
- ❖ IDBI- Industrial Development Bank of India.
- ❖ Cooperative Banks are registered under the Cooperative Societies act,1912.
- ❖ The following are the functions of exchange banks- remitting money from one country to another country, discounting of foreign bills, buying and selling gold and silver and helping import and export trade.
- ❖ The functions of banks can be classified into three parts namely; primary functions, secondary functions and social/development functions.
- ❖ The primary functions are – accepting deposits and advancing loans.
- ❖ The different types of deposit accounts are; Term deposits namely- Fixed deposit, Reinvestment deposits and Recurring deposit; current account; savings deposit and demat account.
- ❖ The different types of loans are- cash credit, overdraft, loans and advances, discounting of the bill of exchange and investment in government securities.
- ❖ The secondary functions can be classified into agency or representative functions, general utility services and social/developmental functions.
- ❖ Agency or representative functions include-collection and payment of various items; purchase and sale of securities; trustee and executor services; remitting money; purchase and sale of foreign exchange; letter of references and other agency functions.
- ❖ General utility services include- locker facilities, business information and statistics; help in transportation of goods; acting as a referee; issuing letters of credit; acting as underwriters; issuing of travelers cheques and credit cards ; issuing gift cheques, dealing in foreign exchange and merchant banking services.
- ❖ The social development functions include- capital formation, inducement to innovations, impact on the rate of interest, role in the development of rural sector and helpful in pushing up the demand.
- ❖ E- banking is also called as virtual banking.
- ❖ The popular services which are covered under e- banking are; automated teller machine, debit card, electronic funds transfer, mobile banking telephone banking , credit card, smart card, cheques truncation payment and internet banking.
- ❖ Securities and Exchange Board of India – SEBI was established in 1992.
- ❖ Control of capital issues was the regulatory authority before SEBI came into existence.
- ❖ SEBI has to be responsive to three groups namely; the issues of securities; the investors and the market intermediaries.
- ❖ PMAC- Primary Market Advisory Committee.
- ❖ SMAC- Secondary Market Advisory Committee.
- ❖ SCODA- SEBI committee on disclosures and accounting standards.
- ❖ SIDBI- Small Industries Development Bank of India- SEBI was established in 1989.
- ❖ IRBI- Industrial Reconstruction Bank of India has been reconstituted into a full fledged all purpose development bank on 27.03.1997 under the companies act and it is now known as Industrial Investment Bank of India Limited.
- ❖ National Housing Bank was established in July1988 under National Housing Bank act 1987.
- ❖ In the case of a bearer cheque, the identity is not necessary.
- ❖ When an order cheque is endorsed in blank, it becomes payable to bearer and transferable by mere delivery.
- ❖ As per section 138 of Negotiable Instruments Act, there is a provision of penalty when the cheque issued in discharge of a liability is dishonoured due to insufficient funds in the account and if the cheque has been presented to the bank within a period of six months and is not honoured due to insufficient funds.
- ❖ A fixed deposit receipt cannot be endorsed.
- ❖ A cheque is presented in an account but there is no sufficient balance to meet the same. The cheque will be returned with the remarks- insufficient funds.
- ❖ The cheque on behalf of a partnership firm can be stopped for payment by any partner whether authorized to operate the account or not.
- ❖ The marginal farmer is one who possesses agriculture land up to 1.25 acres of irrigated or 2.5 acres of non-irrigated land.
- ❖ Registration of charge is not required in the case of pledge, lien, set- off and appropriation.
- ❖ Loans for construction of godown for own use of farmers is not part of indirect finance to agriculture.
- ❖ Olericulture is cultivation of vegetables.

- Nostro account is an account of Indian Bank with a Foreign Bank in foreign currency.
- Resident Foreign Currency (RFC) account scheme is available for Home Returned NRI.
- Under packing credit limit, the extent of finance is computed on the basis of FOB.
- Forfaiting refers to discounting of export bill without recourse to the seller.
- In an overdraft account, when the death notice of partner is received the bank should stop the operations to avoid application of Clayton's case.
- A company is not dissolved by lunacy of a director of bankruptcy of a director or death of a director.
- In the case of insolvency, the banker's obligation to honour customers' cheques comes to an end when the customer is adjudged insolvent.
- A lien is the right to retain goods or securities belonging to a debtor until he discharged a debt due to the retainer there of.
- The shareholders of a Private Limited Co cannot transfer the shares to other public.
- The rule in Clayton's case applies in the case of running accounts having debit balances.
- The term banking bas been defined by Banking Regulation act-1949.
- Bills drawn in respect of goods delivered by parties to various Government/Semi Government departments are known as supply bills.
- Goiporia committee has made the recommendation – Commencement of employee working hours should be 15 minutes before commencement of business hours.
- Banking companies are registered under- Banking Regulation act.
- Bipartite settlements are registered under Industrial Disputes Act.
- Financial products, whose prices are derived from the price of the underlying currency, interest rate , stocks etc. are called – securitization.
- Revaluation reserves is a part of subsidiary capital/tier II capital.
- Y V Reddy- committee had revised the concept of liquidity and monetary aggregates.
- Verma Committee was appointed to examine the restructuring of weak banks.
- The process through which any member-owned organization becomes a shareholder-owned company is called demutualization.
- The negotiable instruments act is applicable in the entire part of the country.
- If the cheque is drawn in favour of 'Mother God' or order, the cheque is to be returned since drawn on fictitious name.
- A cheque payable to Rohit is endorsed as follows- Pay to 'Kabil on his marriage'. This endorsement is conditional endorsement.
- The cheque crossed- account payee drawn in fovour of Mr Brij Nand is presented by Ramana Nand in his account and in this case the bank shoals not make the payment.
- The following are not negotiable instruments – airway bill, a currency note, a letter of credit and lorry receipt.
- Under section 25 of Negotiable Instruments Act, public holidays are declared by- the state government by notification in the official gazette.
- Conversion means- not crediting the amount in the account of true owner.
- By 'General Crossing' we mean two transverse parallel lines on a cheque.
- Forward exchange contract is an agreement where the foreign exchange is delivered at predetermined future date at a contracted date.
- Unless otherwise specified in the letter of credit, the insurance amount should be expressed in the currency of the letter of credit.
- On the death of the partner, bank opens a new account to rule-of the existing account to avoid application of Clayton's case.
- Executor- in banking means a person named by the deceased in his will and for which probate is obtained.
- The partnership firm doing the banking business cannot have more than 10 partners, and other business not more than 20 partners otherwise it will become illegal association. It is provided in Companies act.
- Prospectus is an invitation to the public to subscribe shares or debentures or deposits.
- According to the rule in Clayton's case, the money paid in by a customer has to be applied towards adjustment in overdraft account in order of time in which the debits were incurred.
- Banking company is prohibited for undertaking business like trading of goods etc under –Banking Regulation act 1949.
- In the case of return of cheque for availing remedy under section 138 of Negotiable Instruments act, the holder will have to give notice to the drawer within 30 days of return of cheque.
- When a firm has branches at different places and wishes to avail the loan at all stations, the documents will be executed at its Head Office and sub limits will be allocated to branches at different places.
- In case of any doubt about stamp duty, clarification can be sought from State Stamp Authority and Controller of stamp duty .

- Banks were nationalized under – Banking company (Acquisition and transfer of undertaking) act-1970.
- When an account shows debit balance , the banker is a creditor and when the account shows credit balance , the banker is the debtor.
- Partnership firms cannot do the business of banking and it is provided under the banking regulation act.
- The concept of authorized deduction and illegal deduction is mentioned in the act –Payment of wages act.
- The process of replacing paper securities into electronic holding of shares is known as –dematerialization.
- Official Language policy came into force from 16.01.1950.
- When the price of a dollar is raised from ₹ 48 to ₹ 55, the exporter will be benefited in terms of rupee.
- A cheque is the mandate of the accountholder.
- When a cheque without a date is presented for payment, the banker should return the cheque.
- In a cheque the name of the banker had been written with or without the words –'Not negotiable' – In this case, it is called as a special crossing.
- For negotiating a negotiable instrument there are no limits.
- The Negotiable Instruments Act provides protection the collecting banker in respect of Conversion.
- Crossing of a cheque denotes that it should be paid to a banker only.
- By noting it is meant that the fact of dishonour has been recorded by the notary public on a dishonoured bill or/ and on a plain paper attached to the bill.
- Sericulture is classified under–direct agriculture advance.
- Mahima relates to refinance by NABARD to banks for onlending to agencies for marketing of non farm products of rural women.
- Foreign exchange transactions are viewed always from the angle of the bank.
- The responsibility of managing the foreign exchange resources lies with –Reserve Bank of India.
- EXIM policy is announced by the Ministry of commerce.
- In a Free on Board contract, freight and insurance will be borne by the importer.
- If a letter of credit is silent about the revocability, then the letter of credit is irrevocable.
- Crystalisation of sight export bills purchased/ negotiated will be done on the expiry of transit period plus 30 days.
- A transferable letter of credit can be transferred only once.
- Natural guardian under Hindu Minority and guardianship act, 1956 will be – his father and after him the mother.
- For banking transactions, an administrator is one who is appointed by the court if the deceased has died intestate.
- Banker's lien is an implied pledge .
- A contract of insurance is a contract of indemnity.
- Acceptance of an usance bill will be made on the face of the bill.
- The right of set-off can be exercised by the banker only when the relationship between the customer and the banker is that of debtor and creditor.
- Bank must create reserve fund and 25% of the profits should be transferred to this fund before any dividend declared is contained in Banking Regulation act.
- Limitation period for availing the remedy under Section 138 of Negotiable Instruments Act is one month from the date of cause of action.
- In case the amount of loan to a company is decreased or increased, the memorandum of modification or charge is submitted to the Registrar of companies.
- The rate of revenue stamp is the same throughout India except in Jammu and Kashmir.
- When articles are kept in safe custody, the relationship between banker and customer is that of bailee and bailor.
- In the case of minor's joint account with the guardian and when the minor attains majority, the guardian should not be allowed to operate the account.
- Wages of employees are settled under Minimum wages act.
- CB Bhave committee has looked into ways to reduce cost of demat operations and the said companies should bear a substantial part of dematerialization costs.
- Basle committee relates to Capital Adequacy.
- In Camel's rating – E stands for earnings.
- The revised definition of a sick SSI unit has been given by Kohli committee.
- Greenshoe option is retaining the full/part of equity subscribed by investing public over and above that issued.
- The traditional functions consist of issue of currency, forex management and miscellaneous functions.

- The miscellaneous functions include export assistance, clearing house functions, change of currency, transfer of currency, publication of statistics and other information, training in banking.
- The development factions mainly consist of agriculture development, promotion of industrial finance, promotion of export through refinance, development of bill market and development of banking system.
- The regulatory functions mainly consist of qualitative credit control, bank rate, differential rate of interest, open market operations, CRR, SLR, direct action, credit authorization scheme and moral persuasion.
- The financial system comprises of-financial markets, financial assets and financial intermediaries and institutions.
- Financial markets are classified into money market and capital market.
- The capital market consist of the following financial instruments namely; government or gilt edged securities, corporate securities, shares, debentures, public deposits and loan from institutions.
- The money market terms are: money market, call money, notice money, term money, held till maturity yield to maturity coupon rate, treasury operations and gilt edged securities.
- The financial instruments consist of bills, treasury bills, promissory notes, hundies, certificate of deposits and commercial papers.
- Stock exchanges are available in important cities in the country.
- Mumbai stock exchange – Mumbai
- National stock exchange – Mumbai
- Ahmedabad stock exchange – Ahmedabad
- Bangalore stock exchange – Bangalore
- Bhubaneswar stock exchange – Bhubaneswar
- Kolkatta stock exchange – Kolkatta
- Cochin stock exchange – Cochin
- Coimbatore stock exchange – Coimbatore
- Delhi stock exchange – Delhi
- Guwahati stock exchange – Guwahati
- Hyderabad stock exchange – Hyderabad
- Jaipur stock exchange – Jaipur
- Ludhiana stock exchange – Ludhiana
- Madhya Pradesh stock exchange – Indore
- Chennai stock exchange – Chennai
- Magadh stock exchange – Patna
- Mangalore stock exchange – Mangalore
- Meerut shah stock exchange – Meerut
- OTC Exchange of India – Mumbai
- Pune stock exchange – Pune
- Capital stock exchange of India – Trivandrum
- Uttar Pradesh stock exchange – Kanpur
- Vadodara stock exchange- Vadodara
- There are different types of banks namely; Savings Bank, Commercial Bank, Industrial Bank, Development Bank, Land Development Bank, Indigenous Bank, Central Bank, Cooperative Bank, Exchange Bank, Consumer Bank.
- Banks have the following functions namely; primary functions, secondary functions and social development functions.
- The primary functions consist of accepting deposits namely; fixed deposit, savings bank, current account, recurring deposit, demat account.
- The primary functions consist of granting deferent categories of loans namely; cash credit, overdraft, loans and advances, discounting of bill of exchange, investment in government securities.
- The secondary functions can be classified into agency or representative functions and general utility services.
- The agency or representative functions consist of collection and payment of various items; purchase and sale of securities; trustee and executor business; remitting money; purchase and sale of foreign exchange; issue of letter of references and other agency functions.
- The general utility services consist of locker facilities, business information, help in transportation of goods, acting as a referee, issuing of letters of credit, acting as underwriters, issue of traveler cheques, issue of gift cheques and dealing in merchant banking.

- The social development functions consist of capital formation, inducement to innovations, impact on the rate of interest, role on the development of rural sector and helpful in pushing up the demand.
- The popular services covered under e-banking are; automated teller machine, debit card, credit card, smart card, EFT, cheque truncation payment, mobile banking, internet banking and telephone banking.
- The services of e-banking include bill payment service, funds transfer, credit card customers, railway pass, investing through internet banking, recharging prepaid mobile connections, shopping, RTGS funds transfer and online payment of taxes.
- The Narasimhan committee report I pertains to 1991 consisting of reduction in SLR/CRR; phasing out of directed credit program; interest rate determination; structured reorganization of the banking sector, establishment of ARF tribunal, removal of dual control and banking autonomy.
- The second Narasimhan committee report pertains to the year, 1998 consisting of strengthening of banks in India, narrow banking, Capital adequacy ratio, bank ownership and review of banking laws.
- The cooperative banking structure consist of five categories namely; primary agricultural credit society; district central cooperative banks; state cooperative banks or apex banks, Land Development Banks, SCARDB and Primary Urban Cooperative banks.
- The following are covered in negotiable instruments act: promissory note, bill of exchange, cheque, exchequer bill, circular note, dividend warrant, share warrant, bearer debenture, bank note, bank draft.
- The following are not megotiable instruments; money order, postal order, deposit receipt and share certificate.
- The following are semi negotiable instruments: bill of lading, dock warrant, carriers' receipt, letters of credit, railway receipt and wharefinger’s certificate.
- The bill of exchange consist of three parties namely; drawer, drawee and payee.
- There are four categories of cheques namely; open cheque, crossed cheque, bearer cheque and order cheque.
- Open cheque is un crossed cheque or is called as blank cheque.
- Two parallel transverse lines on the face of the cheque denotes crossing of the cheque.
- When the name of any bank is written between the two transverse lines, it is called as special crossing.
- By striking the words ? bearer? In the cheque, the cheque can be made payable to order.
- Cheques can also be categorized into ante dated cheque, stale cheque, mutilated cheque and post dated cheque.
- When the cheque is out of date, it is said to be a stale one.
- When the cheque contains unwanted words or figures in the cheque and some portion of the cheque is found missing, it is said to be mutilated.
- Post dated cheques are cheques where the date of the cheque is found to be the future date.
- The following are the varieties of hundies namely; darshani hundi, mitti hundi or muddati hundi name-jog hundi, furman jog hundi, dhani jog hundi, shah jog hundi, jokhim hundi, jawabi hundi, khaka hundi and khoti hundi.
- Dharshanihundi is payable immediately on demand.
- Mitti hundi is payable after the expiry of some period.
- Nam jog hundi is payable only to person named in the hundi.
- Furman jog hundi is payable to person the named in the hundi or any other person.
- Dhani jog hundi is payable to holder or bearer.
- Shah jog hundi is payable to shahs in the area.
- Johim hundi consists of conditions.
- Jawabi hundi invites acknowledgment from the person on acceptance.
- Khakahundi is one which has been paid already.
- Khotihundi is a defective hundi.
- In the case of deposit, the customer is creditor and the banker is debtor.
- In the case of overdraft account, the banker is creditor and the customer is debtor.
- A person who makes deposit with the bank is called as the depositor.
- A person who avails loan from the bank is called as the borrower.
- When any loan is backed by any immovable security like land, house, factory, it is said to be under mortgage.
- The person who mortgages the security is called as the mortgagor and banker is called as the mortgagee.
- When any loan is backed by any movable security like auto, truck, computer etc. It is said to be under hypothecation.
- The person who hypothecates the security is called as the hypothecator and the banker is called as the hypothecatee.
- When a person avails any loan against the security of LIC policy, it is said to be under assignment.
- When a person offers a fixed deposit as security for a loan, it is treated as pledge.

- The customer who pledges the deposit is called as pledgor.
- The banker on whom the deposit is pledged is called as the pledge.
- In the case of locker, the customer is lessee and the banker is called as lessor.
- In the case of safe custody receipt, the customer is called as bailor and the banker is called as the bailee.
- The different types of customers are – individuals and others
- The individuals can be single individuals, joint individuals, minors, married woman, pardanashin woman, illiterate person and lunatic.
- In the case of Hindu undivided family, the senior most male member is called as the karta.
- The business accounts can be opened by partnership firm, trustees, societies, charitable institutions and clubs.
- The person named in the will to receive the properties in the will is called as executor.
- In the absence of will, the person who is appointed by the court to receive the money is called as the administrator.
- Proprietorship firm is an account managed by a single individual called as proprietor.
- Companies can be divided into private limited company and public limited company.
- When the bank in India opens an account with a bank in a foreign country it is called as nostro account.
- When the bank in a foreign country opens an account with a bank in India, it is called as vostro account.
- When a bank in one foreign country opens an account with another bank in another country it is called as Loro account.
- When a company wants to open an account with a bank, they have to produce the following namely; memorandum of association, articles of association, certificate of incorporation, board resolution and certificate of commencement of business.
- Banks are subjected to the following risks namely; credit risk, liquidity risk, operations risk and market risk.
- Account to KYC guidelines, customers are classified into low risk customers medium risk customers and high risk customers.
- Low risk clients are – salaried customers, government departments, government owned companies, regulatory and statutory bodies.
- Medium risk clients are – High net worth individuals, Non Resident individuals blind people and pardanashin women.
- High risk clients are – trusts, charities, NGOs receiving donations, sleeping partners, persons who are covered under foreign contribution act, politically exposed persons of foreign origin, non face to face customers, high net worth NRI clients and bullion dealers and jewellers.
- Agriculture advances can be classified into direct agriculture and indirect agriculture.
- The following are considered to be the direct agriculture activities namely; finance to individual farmers, self help groups and joint liability groups who avail loan for agricultural purpose, crop production, investment loans, pre harvest and post harvest activity related loans.
- Indirect finance comprises of $2/3^{rd}$ loans to corporate, partnership firms, agro clinics and agribusiness centre, credit to fertilizers and pesticide and seed dealers, drip irrigation activities and sprinkler activities.
- Priority sector loans consist of retail trade, small business, professional and self employed, agriculture, small scale industries, self help groups, DRI loans, SC/ST beneficiaries.
- The following are considered to be weaker sections as per RBI guidelines – small business, marginal farmers, artisans/village and cottage industries for whom loans were granted up to Rs. 50000; SGSY beneficiaries, SC/ST beneficiaries, DIR, SJSRY beneficiaries, self help groups and minority community beneficiaries.
- In the case of deposits, father and mother are called as natural guardians.
- Savings bank account is termed as mother of deposits.
- The following security provisions are available in a currency note namely; security thread, latest image, micro letterings, identification mark, intaglio printing, fluorescence, optically variable ink.
- The different categories of cooperative banks in the country are primary agricultural credit societies, district central cooperative banks, state cooperative banks or apex banks, land development banks, SCARDB and primary urban cooperative banks.
- The rights of customers are – right to line, right to set off, right to appropriation, right to charge interest, commission and service charges.
- Lien is classified into particular lien and general lien.
- Different types of NBFC companies are – equipment leasing, hire purchase company, loan company, asset finance company, residuary non banking company, mutual benefit Financial company, mutual benefit company and miscellaneous non banking company.
- The following private insurance companies are available in the country namely; HDFC standard life insurance co. Limited, MAX New York Life Insurance co. Limited, ING Vysya Life Insurance Co private Limited, ICICI prudential life insurance co

limited, Kotak Mahindra life insurance co limited, Iffko Tokyo General Insurance co limited, Metlife India Insurance co limited, SBI life Insurance co limited.

- The specific principles of insurance business are – utmost good faith, insurable interest, indemnity, proximate cause and subrogation.
- The various products of Life Insurance corporation of India are-Term insurance, whole life, endowment plans, money back, children's assurance plan unit linked insurance plan.
- PMAC – Primary market advisory committee.
- SMAC – Secondary Market advisory committee.
- SCODA – SEBI committee on disclosures and accounting standards.
- TDICI – Technology development and information company of India Limited.
- CFC – Credit capital finance corporation.
- VCF – venture capital fund.
- GVCFL – Gujarat venture finance company limited.
- GIIC – Gujarat Industrial investment Corporation Limited.
- RCTFC – Risk capital and technology finance corporation Limited.
- RNBC – Residuary non banking company.
- MBC – Mutual benefit company.
- MNBC – miscellaneous non banking company.
- ARWIND – Assistance to rural women in non farm development.
- NABCONS – NABARD consultancy services.
- STCC – short term rural cooperative society.
- FSDC – financial stability and development council.
- PCR – Partial rupee convertibility.
- CAC – Capital account convertibility.
- GST – goods and services tax has been replaced by VAT.
- Investor protection fund was established by BSE.
- FRBM – Fiscal responsibility and budget management
- Yuan is the currency of China.
- Credit cards and debit cards are called as plastic money.
- IFRS – International finance reporting standards.
- The different types of credit are cash credit, micro credit, simple overdraft, no frill loans and rural credit.
- IPR – Intellectual property rights.
- State bank of Indore was merged with State Bank of India.
- Banking services fall under service sector.
- Laxmi commercial Bank merged with Canara Bank.
- The first private bank in India to receive an in principle approval from Reserve Bank of India was Housing Development Finance Corporation.
- The actual return of an investor is reduced sometimes as the prices of the commodities go up all of a sudden. In financial sector this type of phenomenon is known as market risk.
- The Narasimhan committee for financial sector reforms suggested reduction in statutory liquidity ratio and cash reserve ratio.
- The Global enabling trade report is released by world economic forum.
- Coins are minted at Mumbai, Hyderabad, Noida and Kolkata.
- The set of directive principles issued by the central bank of a country or the process adopted by it to control the supply of money, availability of money, cost of money and rate of interest, etc in order to bring stability and growth of the economy are commonly known as monetary policy of the central bank of the country.
- Deciding policy rates like cash reserve ratio, repo rate and statutory liquidity ratio are not the functions of a commercial bank.
- Petro dollar means – money owned by oil rich countries invested in United States of America.
- Banking regulation act was framed specially to deal more effectively with the problem of non-performing assets in banking system.
- The capital adequacy framework prescribed for the banks is commonly known as basel accord.
- PFRDA stands for – pension fund Regulatory and Development Authority.
- Indian Bank Association recently prepared a charter of the banking codes and services.

- SEBI is called as Securities and Exchange Board of India.
- SEBI has asked all foreign funds to come forward and register themselves as foreign institutional investors prior to any investment in india.
- PMGSY – Pradhan Mantri Gram SadakYojana.
- PMGSY was launched in 2000.
- As compared to traditional budgeting, the performance and programme budgeting system stresses more an outcome and less on expenditure allocation.
- Regional Rural Banks are empowered to transact the business of banking as defined under Banking Regulation act 1949.
- According to the Securities and insurance Laws (Amendment) Bill.
- RBI Governor will be the vice chairman of joint commission to resolve differences amongst the financial regulators.
- Adjustment credit is used in the field of finance and banking.
- Increase in interest rates is found to be the best option when RBI wants to block/hinder capital outflows and contain currency depreciation.
- Globalisation means – the growth of a single united world market.
- The inflationary impact of the inflow of foreign capital in India is neutralized by RBI by sale of securities in the open market.
- The main function of international Monetary Fund is to help to solve balance of payment problems at member countries.
- The documents which are considered as officially valid document to satisfy KYC guidelines for opening one bank account – pass port, PAN card, aadhar number issued by Unique Identification Authority of India.
- The standard of living in a country is represented by its per capital income.
- Phishing means – fraudulent way of acquiring PIN and bank passwords using email.
- State Bank of Mysore merged with State Bank of India during 2010.
- Prudential ICICI Mutual fund has been renamed as ICICI Prudential Mutual Fund.
- Government of India is in the process of the establishment of SROs for various market participants in the capital market.
- SRO means Small Regulatory Organisation.
- Micro credit or micro finance is novel approach to banking with the poor. In the approach bank credit is extended to the poor through self help groups.
- Reserve Bank of India prepares the balance of Payments accounts in the country.
- An over valued currency in the foreign exchange market will have the following impacts in the country namely – make imports cheaper and exports costlier.
- When a large number of investors in a country transfer investments elsewhere because of disturbed economic conditions, it is called as flight of capital.
- Government of India promulgated Banking Companies (acquisition and transfer of undertaking) ordinance to acquire 14 commercial banks on 19.7.1969.
- On the current account balances maintained by the Regional Rural Banks with them, the commercial banks may pay interest at such rates as may be mutually agreed to.
- Bank rate signals the Reserve Bank of India's long term outlook on interest rates.
- In deposit accounts KYC (know your customer) has been implemented in 2002 as per the directive of RBI.
- FRBM – Fiscal Responsibility and Budget Management.
- As national initiative which allows pregnant women to undergo delivery free of cost in government health institutions was recently launched and the name of the scheme is Janani Shishu Suraksha Yojana.
- The following assets are considered as near money – bonds, time deposits, equity shares and travellers cheques.
- Employer's contribution to contributory provident fund to employees is a transfer payment.
- Indian Depository Receipt is known as IDR.
- IDR is an instrument in the form of depository receipt created by an Indian depository against underlying equity shares of the issuing company.
- Mid day meal scheme has been launched by the Ministry of Food and Civil Supplies of Government of India.
- NABARD is the apex institution which handles refinance for agriculture and rural development in the country.
- ULIP stands for Universal Loan and Investment Plan.
- The most effective channel other than traditional branch channel to achieve the aim of providing banking services to the people in rural and remote areas – putting biometric ATMs.
- Land Development Banks form part of the cooperative credit structure.
- KYC guideline is basically an anti money laundering exercise.

- Bharat NirmanYojana is not welfare scheme launched by the government of India.
- The following cannot be considered as a value added service offered by any bank – free cheque books.
- The minimum number of women required for formation of women groups under development of Women and Children (DWCRA) program is 10.
- Dirham is the currency of UAE.
- The land development bank secure short term accommodation from – state governments, commercial banks and state cooperative banks.
- GNP stands for gross national product.
- FINO means Financial investment Network and Operations.
- Nationalisation of banks in the country took place under two phases – the first phase on 19.7.1969 for fourteen banks and on 15.4.1980 in the second phase for six banks.
- Industrial Exit policy means allowing the business units to close down.
- The following is not the feature of Real Time Gross Settlement – RTGS – settlement of funds in revocables.
- The 2011 census is the 15th census.
- Sub Prime refers to lending done by financing institutions including the banks to customers not meeting with normally required credit appraisal standards.
- National Rural Employment Guarantee scheme is associated with Mahatma Gandhi.
- Currency is one among several terms used in banking.
- Standard and poor is a credit rating agency.
- RBI is the banker of the banks and it is also called as the central bank of the country.
- The first bank in the country to implement reverse mortgage in the country is Punjab National Bank.
- Reverse mortgage scheme is beneficial for senior citizens for availing loan against immovable properties.
- State Bank of India has been appointed for refunding income tax to tax payers.
- Inflation has become a major area of concern in the country these days and government of India and Reserve Bank of India normally take to control the same the following measures namely-system of dual prices; increase in supply of food grains and control on credit and liquidity in market.
- Government of India these days is very keen about the credit to the rural people and the product launched by the banks to provide loan/credit to the farmers quickly – Kisan Credit Cards.
- SEBI was established during the year 1988.
- SEBI was made a fully autonomous body in 1992.
- SEBI regulates the securities market and protect the interests of the investors in securities.
- The short and medium term cooperative credit structure in the country federal in character consists of three tiers viz: the State Cooperative banks at the state level; the central cooperative banks at the district level and primary cooperative credit societies at the village level.
- Mutual funds are regulated by – SEBI – Securities and Exchange Board of India.
- Raghuram Rajan Committee had submitted recommendations on financial inclusion.
- The main function of the International Monetary Fund is to help solve balance of payments problem of member countries.
- NABARD is limited to the needs of agriculture and rural finance.
- SEBI is the regulator of the credit rating agencies in the country.
- The terms which are associated with banking operations are repo rate, prime lending rate and corporate finance.
- Joint Liability Groups replicate the self help groups.
- UTI bank has officially changed its name to Axis bank Limited.
- A hot money or the refugee capital is one which is transferred from one centre to another for greater safety.
- RBI has asked all the banks in the country to form customer service panels at branch levels.
- Indra A was Yojana is one of the most successful programs under Bharat Nirman.
- SARFAESI act was framed specially to deal more effectively with the problem of non performing assets in the banking system.
- Operation market operations of Reserve Bank of India refer to trading in securities.
- SEBI has introduced a new tool named Data Warehousing and business Intelligence System (DWBIS) for speedy analysis of data and identification of violations.
- EXIM bank is a term lending institution.
- Central cooperative banks occupy a crucial importance in the cooperative credit structure.

- Central Cooperative Banks form an important link between the State cooperative bank at the apex and the primary agricultural credit societies at the base.
- Central cooperative Banks are closer to the primary societies than an apex bank could be.
- In context with the business and banking, CRAR means Capital to Risk Asset Ratio.
- Rangarajan committee is the first committee that gave its recommendations relating to mechanization of banking system.
- The definition of banking has been given in Negotiable Instruments Act 1881.
- Employer's contribution to contributory provident fund of employees is a transfer payment.
- The Unit Trust of India came into existence in 1964.
- Infrastructure bonds are termed as financial assets.
- National savings certificates, Indra Vikas Patras, Kisan Vikas Patras are issued by post office.
- Capital market is a market which deals with gilt edge securities.
- Regional Rural Banks fall within the supervisory purview of Reserve Bank of India.
- IRDA is called as Insurance Regulatory Development Authority.
- IRDA with its headquarters at Hyderabad is the regulatory authority for all insurance companies in India including the life Insurance Corporation of india.
- Mutual Funds fall within the supervisory purview of SEBI.
- SEBI means –Securities and Exchange Board of India.
- Export – Import bank do not fall within the category of development banks.
- Industrial Development Bank of India, Small Industries Development Bank of India and industrial Investment Bank of India, State Finance Corporation are called as developments.
- The major financial instruments of corporate sector are shares, debentures, public deposits and loan from institutions.
- Financial institutions promote savings, mobilize savings and allocate savings among different users.
- The following are called primary securities – bills, bonds, shares and book debts.
- New currency is not an example of primary security.
- Indian Financial System comprises of scheduled commercial banks, non banking financial institutions, urban cooperative banks.
- The Bombay stock exchange was made functional as early as 1870.
- The unit Trust of India came into existence in 1964.
- In July 1969, 14 commercial banks were nationalized.
- The government's share in any nationalized bank is 51% or more.
- New private banks are being given licences since 1993.
- The gilt edged market refers to the market for government securities and semi government securities.
- First share market in India was established in Mumbai.
- Securities that have an original maturity that is greater than on year are traded in capital markets.
- The best known capital market securities are stocks and bonds.
- Securities that have an original maturity that is greater than one year are not traded in money markets.
- Stocks and bonds are not money market securities.
- The primary issuers of capital market securities include – the central and local governments and corporations.
- The characteristic of a capital market instrument are – liquidity, marketability, long maturity and liquidity premium.
- Treasury bill, negotiable certificate of deposit and commercial paper are capital market instruments.
- Treasury bills are financial instruments initially sold by the government to raise funds.
- Commercial paper is a short term security issued by large and well known companies to raise funds.
- A corporate convertible bond gives the holder the right to exchange the bond for a specified number of the company's common shares.
- Treasury bond is not a money market instrument.
- Money lent for 15 days or more in inter bank market is called as term money.
- Money lent for one day is called as call money.
- Special interest rate on a fixed maturity security fixed at the time of issue is called as coupon rate.
- Lending of scheduled commercial banks, on a fortnightly average basis, should not exceed 25 percent of their capital fund.
- A short term credit investment created by a non financial firm and guaranteed by a bank to make payment is called as bankers acceptance market.
- Money market securities are short term in nature having low risk and very liquid.

- Money market instruments are characterized by the following namely – they are usually sold in large denominations, have low default risk and mature in one year or less.
- In the term repo, the term of the loan is greater than 30 days.
- All commercial banks do not deal for their customers in the secondary market.
- Money markets are used extensively by businesses both to warehouse surplus funds and to raise short term funds.
- The single most influential participant in the US money market is the US treasury department.
- The money market in india consists of two sectors namely the organized and the unorgainzed sectors.
- Indigenous banks do not fall under unorganized sector.
- Money lent for one day in the money market is known as call money.
- Money lent for more than one day but less than 15 days in the money market is known as notice money.
- Money lent for 15 days or more in inter-bank market is called as term money.
- Government security that is a claim on the government and is a secure financial instrument which guarantees of both capital and interest is called as gilt edged security.
- Insurance companies operate in the call money market as lenders.
- As per prudential norms of RBI, lending of scheduled commercial banks on a fortnight average basis should not exceed 25 percent of their capital fund.
- The market for bankers acceptance which are out of trade transactions, both domestic and foreign is called as bankers acceptance market.
- An unsecured loan extended by one corporate to another is called as inter corporate deposits.
- Interest is calculated on actual/365 days basis in respect of the following products namely; call money, notice money and term money.
- Interest is not calculated on actual/365 days basis in respect of the following products namely; Government of India dated securities.
- An Institution which accepts deposits, makes business loans, and offers related services is called as commercial bank.
- A bank which acts as a banker of other banks is called as central bank.
- The following are the functions of exchange banks remittingmoney from one country to another country, discounting of foreign bills, buying and selling gold and silver and helping import and export trade.
- Consumer banks are usually found in United States of America and Germany.
- A bank Account in which a depositer can deposit his funds any number of times he likes he wishes is called as current account.
- In Recurring deposit account, a specified amount is deposited every month for a specific period, say 12, 24, 36 or 60 months.
- An Inter bank funds transfer system, where funds are transferred as and when the transactions are trigged is called as real time gross settlement.
- Accepting deposits is the primary function of any bank.
- Collection and payment of cheques, rent, interest etc on behalf of their customers is the secondary function of any bank.
- Buying Selling and Keeping in safe custody, the securities on behalf of their customers are called as the secondary functions.
- Acting as trustees and executors of the property of their customers on their advice-the secondary functions of the bank.
- Remitting money from one place to the other through bank drafts or mail- the secondary functions of the bank.
- The operative guidelines for banks on mobile banking transactions in India were issued in 2008.
- To use smart cards/debit cards/credit cards for the purchase of an item or for payment of a service at a merchant's store, the card has to be swiped in a terminal known as point of sale terminal.
- The branding line of bank of Baroda is-India's International Bank.
- The logo of Bank of Baroda is known as Baroda sun.
- Lot of banks in India these days are offering M-banking facility to their customers. The full form of M in M-banking is mobile.
- State cooperative banks do not form part of the scheduled banking structure in India.
- Section 14 of Banking Regulations act, 1949 prohibits a banking company from creating a charge upon any unpaid capital of the company.
- A bank is under a statutory obligation to honour the customer's cheques vide section 31 of the Negotiable Instruments act 1881.
- Nationalised banks have been permitted to offer their equity shares to the public to extent of 49 percent of their capital as per amendments made in 1994 in- Banking companies (acquisition and transfer of undertakings) act, 1970.
- Five banks are at present associates of State Bank of India.
- At present there are twenty nationalized banks in the country.
- BCSBI stands for Banking Codes and Standards Boards of India.
- The main function of a commercial bank can be segregated into-payment system, financial intermediation and financial services.

- Reserve Bank of India prescribed that all scheduled commercial banks should maintain their SLRs in dated securities noted by RBI; Tbills of Government of India and State Development loans.
- In case a depositor wishes to withdraw his deposits prematurely, banks charge a penalty and allow the same.
- In case a depositor is a sole proprietor and holds deposits in the name of the proprietory concern as well as in the individual capacity, the maximum insurance cover is available upto Rs. 100000.00.
- Banks give contracts to third parties in order to manage support services like help desk support, credit card processing and call support service.
- In case of FCNR-B scheme, the period for fixed deposits is for terms not less than one year and not more than five years.
- The past due debt collection policy of banks generally emphasizes on-respect to customers, appropriate letter authorizing agents to collect recovery, due notice to customers.
- According to the risk diversification principle of bank lending, diversification should be in terms of customer base, geographic location, nature of location etc.
- The aspects which are outlined by the loan policy of a bank are-rating standards, lending procedures, financial covenants etc.
- The paid up capital of non scheduled bank is less than Rs. 5 lakhs.
- Scheduled bank means a bank – which is included in the second schedule to the RBI act, 1934.
- A foreign bank is one which is incorporated outside India.
- The Unit banking system is prevalent in United States of America.
- In terms of section 5(1) (e) of the Banking Regulations act, 1949, a banking company means any company which transacts the business of banking in India.
- Universal Banking is one which undertakes the functions of a Development financial institution as well as a commercial bank.
- The commercial banking system in India consists of scheduled and non scheduled banks.
- EBT – stands for Electronic Benefit Transfer.
- RBI generally reviews the monetary policy every three months on a quarterly basis.
- The rate at which Reserve Bank of India lends short term money to the banks is called as repo rate.
- The Reserve Bank of India was nationalized on 1.1.1949.
- RBI functions are governed by RBI act 1934.
- RBI is not expected to perform the function of accepting deposits from the general public.
- RBI functions as a banker to the government; accepts deposits from commercial banks and issues currencies.
- RBI has its headquarters at Mumbai.
- The first Governor of the Reserve Bank of India from 01.04.1935 to 30.06.1937 was Sir Osborne Smith.
- Prime lending rate is not decid by RBI.
- Prime lending rate is decided by the Individual banks.
- RBI decides the following rates namely; Bank rate, repo rate, reverse repo rate and cash reserve ratio.
- RBI was set up on the recommendations of Hilton Young commission.
- RBI formulates implements and monitors the monetary policy.
- The central banking institution in India is Reserve Bank of India.
- RBI had divested its stake in State Bank of India to IDBI bank.
- At present the RBI holds one percent of shareholding in National Bank for Agriculture and Rural Development Bank – NABARD.
- In India RBI prescribes the minimum SLR level for scheduled commercial banks in India in specified assets as a percentage of bank's net demand and time liabilities.
- CRR refers to the share of liquid cash that rural banks have to maintain with RBI of their net demand and time liabilities.
- The functions of RBI are – acts as the currency authority; controls money supply and credit; manages foreign exchange and serves as a banker to the government.
- The quantitative instruments of RBI are – Bank rate policy, cash reserve ratio and statutory liquidity ratio.
- The objective of monetary policy of RBI is to control inflation; discourage hoarding of commodities and encourage flow of credit into neglected sector.
- When RBI is lender of the last resort, it means that RBI advances credit against eligible securities.
- When RBI acts as a banker to the government, its functions are-keeping bank accounts of the government; carrying out government transactions and advising the government on all financial and monetary matters.
- Government of India decides the quantity of coins to be minted.
- The method which is used currently in India to issue currency note-minimum reserve system.
- An anna was equal to four paise.

- The first decimal issues of coins in 1950 in India consisted of 1, 2, 5 paise.
- RBI began production of notes in 1938, issuing ₹2, 5, 10, 1000 notes. ₹500 note was reintroduced again in 1987.
- ₹1000 note was reintroduced again in 2000.
- Coins which were struck in with the hand picture are available since 2010.
- Under Britton Woods system, as a member of International Monetary Fund, India declared its par value of rupee in terms of gold.
- On September, 25, 1975 rupee was delinked from pound sterling and was linked to basket of currencies.
- On March 1, 1992, RBI announced a new system of exchange rates known as partial convertibility and liberalized exchange rate system.
- In India, the fixed fiduciary system of note issue was in force from 1816 to 1920.
- During 1992, India adopted partial convertibility of rupee.
- All banks are authorized to accept soiled notes across their counters and pay the exchange value.
- Banks are expected to offer this service even to non customers.
- All public sector bank branches and currency chest branches of private sector banks are authorized to adjudicate and pay value in respect of mutilated notes.
- RBI has also authorized all commercial bank branches to treat certain notes in two pieces as soiled notes and pay exchange value.
- At present there are over 4000 currency chests in the country.
- Indo-Greeks were the first rulers in India to issue coins which can be definitely attributed to the kings.
- Section 22 of RBI act 1934 gives sole power to RBI to issue currency notes.
- For issuing notes, RBI is required to hold the minimum reserves of Rs. 200 crore of which note less than ₹115 crore is to be held in gold.
- The decimal system of note and coin issue was started in the country in 1957.
- The objectives of financial sector reforms in the country are-creating an efficient, productive and profitable financial sector industry; preparing the financial system for increasing international competition; opening the external sector in a calibrated fashion; promoting the maintenance of financial stability even in the face of domestic and external environments.
- The Narasimhan Committee-I was set in 1991.
- The Narasimhan Committee-I was set up to suggest some recommendations for improvement in the efficiency and productivity of the financial institution.
- The Narasimhan Committee-II was set up to suggest some recommendations for improvement in the banking reform process.
- Narasimhan Committee 1991 has given the following recommendations namely – reduction in SLR and CRR; phasing out directed credit program; the determination of the interest rate should be on the grounds of market forces such as the demand for and the supply of fund; the actual numbers of public sector banks need to be reduced.
- According to narrow banking concept, weak banks will be allowed to palce their funds only in short term and risk free assets.
- The following are the recommendations of Narasimhan Committee report 1998 – reduction in CRR and SLR; deregulation of interest rate. Fixing prudential norms and capital adequacy norms.
- Basel I which was issued during 1988 focuses on the capital adequacy of financial institutions.
- Capital to risk assets ratio CRAR of all the scheduled commercial banks under Basel I framework improved to 13.6 percent by the end of March, 2010.
- In 1991, the statutory liquidity ratio was as high as 38.5%.
- Narasimhan committee recommended to reduce SLR and CRR to 25% and 3.5% respectively.
- The following guidelines were issued by RBI in January 1993 for the entry of private sector banks in the wake of Narasimhan Committee recommendations – The new bank upon being granted licence under the banking regulation act by RBI shall be registered as a public limited company under the companies act, 1956; its inclusion in the second schedule to the RBI act, 1934 shall be subject to RBI's decision; preference would be given to those banks the headquarters of which are proposed to be located in the center which does not have the headquarters of any other bank.
- The RBI has prescribed that new private sector bank – shall be subject to prudential norms in regard to income recognition, asset classification and provisioning, capital adequacy ratio etc; shall have to observe priority sector lending targets as applicable to other domestic banks and will be required to open rural and semi urban branches also as may be laid down by RBI.
- To create a strong and competitive banking system, reform measures were initiated in early 1990s and the thrust of these reforms was on – increasing the operation efficiency; developing technological supervision over banks and developing technological and institutional infrastructure.
- Financial inclusion makes people to access financial markets.
- The following steps are taken for financial inclusion in the country-the expansion of network of cooperative banks to provide credit to agriculture and saving facilities in rural areas; nationalization of banks in 1969 and expansion of branches; creation of an elaborate framework of priority sector lending with mandated targets as part of a strategy to meet the savings and credit needs of large sections of the Indian population who had no access to institutional finance.

- The following sections of people are covered under financial inclusion-marginal farmers, landless labourers, self employed and unorganized sector enterprises and urban dwellers.
- Mangalam village situated in the union territory of Puducherry became the first village in India where all households were provided with banking facilities.
- The objectives of forming self help group is-to build mutual trust and confidence between the bankers and the rural people; to encourage banking activities, both on the thrift as well as credit sides, in a segment of the population that the formal financial institutions usually find difficult to cover and to meet the needs of the poor by combining the flexibility, sensitivity and responsiveness of the informal credit system with the strength of technical and administrative capabilities and financial resources of the formal credit institutions.
- The best alternative banking service to branch banking to be the part of financial inclusion – establishment of small branches; setting up of automated teller machines; issuing of ATM cards, giving credit cards and mobile banking.
- National credit fund for women is the most prominent national level micro finance apex organization providing micro credit services for women in the country.
- Banks provide the lowest lending in the north-eastern part of India.
- No frills accounts are certainly an effort in the direction of financial inclusion.
- The financial assistance or loans of Rs. 10000 by a bank to a small borrower will be called as micro finance.
- The Rashtriya Mahila Kosh is working exclusively for poor women.
- SHG bank linkage programme was initially launched by NABARD.
- The recent initiatives for financial inclusion in India include-no frill account for retail purpose; simplified KYC (Know Your Customer); credit counseling centre facilities and extension of smart cards.
- Strong competition between numerous microcredit programs to reduce interest rates in not innovation likely to explain the high repayment rates of microcredit programs.
- Group lending using social sanctions instead of collateral foreclosure is not a potential limit of group lending.
- Collaterals is not a mechanism that contributes to the success of micro credits.
- The index of financial inclusion has been launched for the first time in 2008 by ICRIER.
- Regional Rural banks were established in the country on the recommendations of Narasimhan committee.
- Regional Rural banks were set up during 1975.
- The total authorized capital of Regional Rural Banks was originally fixed at Rs. 1 crore which has since been raised to ₹5 crore.
- At present, the formula for subscription to Regional Rural Banks capital has been fixed at – central government 60%; state government 20% and sponsor bank 20%.
- Central Government’s contribution towards the capital of Regional Rural Bank is made through NABARD.
- The sponsor bank helps and aids the Regional Rural Bank sponsored by it by – subscribing to its share capital; training its personnel; providing managerial and financial assistance during the first five years or extended period.
- The sponsor banks are empowered to – monitor the progress of Regional Rural Banks; to conduct inspection and internal audit; to suggest corrective measures.
- As on March, 2011, the total number of Regional Rural Banks in the country are – 82.
- Each of the Regional Rural Banks covers districts ranging from 3 to 25.
- The main resources of Regional Rural Banks are – share capital, deposits from the public, borrowing from sponsor banks, refinance from NABARD.
- Regional Rural Banks are refinanced at 2 percent below the bank rate.
- Regional Rural Banks are owned by central government, state government, sponsor bank and jointly by all of the above.
- With a view to improve the performance of the Regional Rural Banks and giving more powers and flexibility to their boards in decision making RBI had constituted task force on empowering the RRB boards for operational efficiency.
- The number of directors on the boards of Regional Rural banks has been raised to 15.
- Regional rural banks are classified under scheduled commercial banks.
- The paid up share capital of Regional Rural bank is contributed by state government only.
- Regional Rural Banks are empowered to transact the business of banking as defined under Banking Regulation act, 1949.
- Regional Rural Banks are managed by the board of directors.
- The deposits with Regional Rural Banks are insured by DICGC.
- DICGC – Deposit Insurance and Credit Guarantee Corporation.
- For the purpose of Income tax act, 1961, the Regional Rural Banks are treated as – cooperative banks.
- On the current account balances maintained by the Regional Rural Banks with them, the commercial banks may pay interest as applicable to savings accounts.
- By virtue of the amendment carried out by the Regional Rural Bank (Amendment) act, 1987, the chairman of a Regional Rural Bank is to be appointed by sponsor bank in consultation with NABARD.

Important Questions with Answer-11

Q.1- What are the functions of any bank?

Ans : The bank accepts deposits from the public and lends loans to the public. Acceptance of deposits and lending loans are called as the primary functions. The secondary functions are selling gold coins, selling insurance products and selling mutual fund products. Apart from the above, the banks open demat accounts also.

Q.2- What do you know by demand deposits?

Ans : Current account and savings accounts are called as demand deposits. Current account is opened for business purpose carrying no interest and savings deposit is opened for the purpose of saving the money and it carries interest. The interest is at present decided by respective banks.

Q.3- What do you know by KYC guidelines?

Ans : KYC means know your customer guidelines. According to KYC, the bank demands address proof and identity proof from the public when they open accounts with the bank. For address proof, copes of ration card, voter ID card, AADHAAR card, telephone bill etc. are obtained. For identity proof, copies of identity card issued by the employers, voter ID card, driving licence, AADHAAR card etc. are obtained by the bankers.

Q.4- What do you know by term deposits?

Ans : Fixed deposits, recurring deposits and reinvestment deposits are called as term deposits since these deposits are opened for specific period. The minimum period for which the term deposit is opened – 7 days and the maximum period: 10 years. Interest is paid according to the period of deposit. Interest is decided by the respective banks only.

Q.5- What do you know by fixed deposit?

Ans : Fixed deposits are opened for a minimum period of seven days and maximum period of ten years. Interest is paid according to the period of deposit. In this scheme, a lump sum amount is deposited for a fixed period and interest earned is obtained from the bank on quarterly basis. In case the customer demands, interest is paid by the bank on monthly or fortnightly basis.

Q.6- What do you mean by recurring deposit?

Ans : According to this scheme, the customer can remit monthly or quarterly a fixed amount for a fixed period. For example, an amount of Rs. 1000/- can be deposited for 60 months and interest is paid to the depositor according to the period of deposit along with the principal amount on maturity of deposit.

Q.7- What do you know by reinvestment deposit?

Ans : Reinvestment scheme is nothing but fixed deposit. Instead of getting the interest on fixed amount on monthly or quarterly basis, the customer can get the interest on maturity along with principal amount. Since interest is reinvested, the customer is eligible to get interest for interest also.

Q.8- What do you know by PAN number?

Ans : PAN number is required for IT purpose and when more than Rs. 50000/- is invested in time deposit accounts or remitted in current or savings deposit accounts, the customer has to mention the PAN number in the remittance slips.

Q.9- Whether deposits can be opened in the name of minor?

Ans : Yes, deposits can be opened in the name of minors. The accounts are opened in the name of minor duly represented by father and mother and they are called as natural guardians. When the minor is a student and aged more than ten years, he can operate the account himself. For this purpose, he should produce a certificate from the headmaster or principal of the school where he is studying.

Q.10- Whether minor is eligible for loans?

Ans : Loans should not be granted to minors as per law and as per law the loans granted to the minors cannot be demanded by legally.

Q.11- What do you know by PIN number?

Ans : PIN number is a four digit number used when the customer operates automated teller machines. The PIN number consists of four digits and instead of PIN number, thumb impressions are recorded in biometric ATMs.

Q.12- What do you know by foreign bank?

Ans : Foreign banks have their headquarters in a foreign country; however, they have branches in india as permitted by Reserve Bank of India.

Q.13- What do you know private sector banks?

Ans : At present there are fourteen old private sector banks in our country and seven new private sector banks namely; Axis bank Limited, Development Credit bank Limited, HDFC Bank Limited, ICICI Bank Limited, Indus Ind bank Limited, Kotak Mahindra Bank Limited and Yes bank Limited. According to the revised norms fixed by Reserve Bank of India, the new private sector banks should have a minimum capital base of ₹200 crore.

Q.14- What do you know by central bank?

Ans : Central bank is the bank which governs other banks in the country. In our country RBI is the central bank. It has its headquarters at Mumbai and the following are the functions of RBI namely – currency note issue, banker to the banks, financial adviser to the government, custodian of cash reserves of banks, lender of the last resort and controller of credits etc.

Q.15- What do you know by issue of currency notes in the country?

Ans : In our country, up to one rupee note and coins, Government of India undertakes to issue and currency notes coins valuing more than one rupee are issued by Reserve Bank of India.

Q.16- What do you know by scheduled commercial banks?

Ans : The public sector banks, SBI and its subsidiaries, all private sector banks, foreign banks and Regional Rural Banks are called as scheduled commercial banks. They should have been included in the second schedule of RBI act 1934; got licence for conducting banking business as per Banking Regulation act, 1949 and should have been incorporated either as per companies act or cooperative act.

Q.17- What do you know by commercial banks?

Ans : Commercial banks are banks which function for profit and the following banks are included under the category of commercial banks by RBI – State Bank and its subsidiaries, all nationalized banks including IDBI bank, all private sector banks and foreign banks. The cooperative banks and regional rural banks are not treated as commercial banks.

Q.18- What do you Know by cheque book?

Ans : Cheque books are issued when the customer is having current account, savings deposit account or overdraft account. Cheque books are issued for the purpose of withdrawal of money from the account. Cheques are not issued in the case of term deposits namely; fixed deposit, reinvestment deposit and recurring deposit. In the case of term deposits, the customers are issued with deposit receipts mentioning therein the details of deposits.

Q.19- What do you know by minimum balance?

Ans : When a customer is maintaining current account and savings account, he should maintain minimum balance in the account. The minimum balance is prescribed by the respective banks. When the amount falls below the minimum balance during any day, penal charges are levied in the account.

Q.20- What do you know by automated teller machines?

Ans : Automated Teller Machines are used for the purpose of allowing the customer to withdraw money twenty four hours a day using ATMs. The following services are available through automated teller machines namely – cash withdrawal, balance enquiry, mini statement up to last ten entries, pin number change, mobile recharge, e-ticketing, transfer of funds etc.

Q.21- What do you know by TDS?

Ans : TDS is called as tax deducted at source. When a customer having a fixed deposit account or reinvestment deposit account earns interest amount more than Rs. 10000/- tax is deducted at source form the account according to income tax laws prevalent in the country.

Q.22- What do you know by core banking solution?

Ans : According to core banking solutions, all branches of the bank are interconnected through a common server and a customer can transact the business in his account from anywhere in the country.

Q.23- What do you know by real time gross settlement?

Ans : According to RTGS, a customer can send money more than ₹200000/- from his account to any other account of another person having his account with the branch of the same bank or any other bank. For example, a customer having an account with Canara Bank, Kellys branch at Chennai can transfer the amount to the account of his father with state Bank of India, Canning Street, Kolkatta. Banks charge normal service charges for the remittance facility.

Q.24- What do you know by either or survivor?

Ans : When more than one individual opens an account it is called as a joint account. Since the account is opened jointly by more than one person, the account holders should specify the conditions for operation of the account to the banker. In the case of E or S account, anyone of the customers can operate the account individually. In the case of joint accounts, all accountholders should operate the accounts jointly.

Q.25- What do you know safe deposit locker?

Ans : It is a facility provided by the bank for safekeeping the valuable articles. Lockers are available in different sizes and according to the size of the locker, charges are collected for the lockers. The lockers are operated by the locker holder and the banker and for this purpose, the customer is given one key pertaining to the locker and the banker is having the master key for the entire unit.

Q.26- What do you know by nomination facility in the account?

Ans : Nomination facility is available for deposit accounts namely; current account, savings account, fixed deposit, reinvestment deposit account and recurring deposit account. The customer nominates a person for the account to receive money on the death of the depositor.

Q.27- What do you know by safe custody service?

Ans : According to the scheme for safe custody service, customers can safe keep their valuables with the banker for nominal service charges. The valuables are kept in sealed packets or bundles and handed over to the banker and the banker on receipt of the packet or bundle, furnishes a receipt and when the customer is in need of the packet or bundle, he has to produce the receipt to the banker.

Q.28- What do you know by proprietorship account?

Ans : When a customer maintains an account in his personal name, it is called as individual account and when he opens an account in the name of a firm owned by him, it is called as proprietorship account. For example, Balaji conducting a printing press can open an account in the name of Balaji Printing services and this is a proprietorship account opened for business purposes and Balaji is called as proprietor.

Q.29- What do you know by partnership account?

Ans : When more than one person joins together to conduct a business, it is called as a partnership firm and the partners invest the capital either equally or according to the terms as agreed between the partners. The rules and regulations of the business are recorded in partnership deed. The partnership deed can be registered or non registered.

Q.30- What do you mean by crossing of the cheque?

Ans : When two parallel transverse lines are drawn on the face of the cheque, it is called as crossing. When two simple transverse lines are drawn, it is called as general crossing and when the name of a banker is mentioned between the two parallel lines, it is called as special crossing.

Q.31- What is the purpose of crossing of the cheque?

Ans : Cheques are crossed so that they should be encashed through accounts only. This is to avoid fraudulent encashment of the cheques by miscreants.

Q.32- What do you know by order cheque?

Ans : Normally the cheques are payable to the person mentioned in the cheque or to the bearer. In the case of uncrossed bearer cheque, the person named in the cheque or any bearer can get payment of the cheque from the bank counter. When the words,?bearer? are cancelled, the cheque is treated as order cheque and for encashing an order cheque, the customer has to prove his identity to the banker.

Q.33- What do you know by shares?

Ans : For the purpose of building fixed capital, joint stock companies are authorized to issue shares to the public, shares can be issued in the form of ordinary shares or preference shares. Ordinary shareholders are entitled to vote during the annual general body meeting and they do not have any predetermined dividend amounts and in the case of preference shareholders, they are paid dividend according to predetermined rates.

Q.34- What do you know by Debentures?

Ans : It is a sort of loan document. Those who advance loans to the company are called as debenture holders. Normally debentures are issued through initial public offer as in the case of shares. Predetermined rate of interest in paid to the debenture holder, whether the corporation earns profit or suffers loss.

Q.35- What do you know by SEBI?

Ans : It is the principal regulator in the capital market in the country- both the primary and secondary segments. It has also been conferred with the powers to regulate the mutual funds and venture capital funds in the country.

Q.36 What do you know by call money?

Ans : It is an important segment of the Indian Money Market. Under call money market, funds are transacted on overnight basis and under notice money market, funds are transacted for the period between 2 days and 14 days. Banks borrow in this market, in order to fill the gaps or temporary mismatches in funds; to meet the cash reserve ratio and statutory liquidity ratio and to meet sudden the demand for funds arising out of large outflows. Banks, primary dealers, development finance institutions, insurance companies and select mutual funds are participants in this market.

Q.37- What do you mean by Treasury bill?

Ans : They are money market instruments to finance the short term requirements of the Government of India. There are different types of treasury bills based on the maturity period and utility of the issuance like, adhoc treasury bills, three months, six months and 12 months treasury bills etc.

Q.38- What do you know by certificate of deposits?

Ans : It is a negotiable short term promissory note in nature. It is issued at a discount to the face value, the discount rate being negotiated between the issuer and the investor.

Q.39- What do you know by commercial paper?

Ans : Commercial papers are negotiable short term unsecured promissory notes with fixed maturities, issued by well rated organizations. These are generally sold on discount basis. Organisations can issue commercial papers either directly or through banks or merchant banks called as dealers.

Q.40- What do you know by primary market?

Ans : Primary market deals with new securities – it can be otherwise called as new shares issued to the public. The new offerings by the companies are made through an initial public offer or rights issue of shares to the existing shareholders.

Q.41- What do you know by secondary market/stock market?

Ans : It is the market for buying and selling securities of the existing companies. Under this scheme, securities are traded and being initially offered to the public in the primary market and/or listed on the stock exchange. The secondary market dealings are done through the share brokers in the stock markets situated in various cities in the country.

Q.42- What do you know by the term called as savings bank?

Ans : It is a financial institution whose primary purpose is to accept savings deposits. It may also perform some other functions. These banks are much helpful for salaried people and low income groups. The deposits collected from customers are invested in bonds, securities etc.

Q.43- What do you know by commercial banks?

Ans : It is an institution which accepts deposits, makes business loans and offers related services. The commercial banks also allow for a variety of deposit accounts, such as checking, savings and time deposits. Their main purpose is to make a profit. Commercial banks apart from acceptance of deposits and lending loans provide services like collection of cheques and bills of exchanges, remittance of money from one place to another place etc.

Q.44- What do you know by industrial banks and development banks?

Ans : They are development banks engaged in promotion and development of industry. SIDBI is a development bank engaged in helping industries in getting loans from public sector and other banks. NABARD caters to the needs of agriculture and National Housing Bank is meant for helping housing development. EXIM bank helps for import and export development in the country.

Q.45- What do you know by indigenous banks?

Ans : Indigenous banks mean money lenders and sahukars. They collect deposits from the general public and grant loans to the needy persons out to their own funds as well from deposits. They are much popular in villages and small towns.

Q.46- What are the different types of loans provided by banks?

Ans : Cash credits, overdrafts, loans and advances, discounting of the bill of exchange and investment in government securities are various loan facilities provided by any bank, Cash credits are loans granted against stock of goods. Overdrafts are clean loans granted in current accounts. The other loans are housing loans, educational loans, consumer loans, gold loans, other agricultural loans, industrial loans etc.

Q.47- What do you know by debit card?

Ans : They are cards issued by the banks on current and savings accounts. Using debit cards the customers can withdraw funds using automated teller machines or they can purchase goods through point of sale terminals situated at textile shops, petrol pumps, hotels and other outlets. The card can be also used for purchasing e-tickets, air tickets and many more.

Q.48- What do you know by credit card?

Ans : Credit cards are post paid cards whereas the debit cards on the other hand is a prepaid card with some stored value. Every time, a person uses this card, the interest banking house gets money transferred to its account from the bank of the buyer.

Q.49- What do you know by stale cheque?

Ans : When the cheque becomes out of date and cannot be encashed, it is termed as stale cheque. For example, the validity period of any cheque, is three months and when a cheque dated: 10.01.2012 is presented for payment on 10.01.2013, it is considered as a stale cheque, since the cheque is more than three months old.

Q.50- What do you know by current chest?

Ans : Currency chests are operated by RBI so that they can provide good quality currency notes to the public. However, RBI has appointed commercial banks to open and monitor currency chests on behalf of RBI. The cash kept in currency chests is considered to be kept in RBI.

Q.51- What is meant by minimum balance to be maintained in the accounts?

Ans : In the case of savings bank and current account deposits, the banks stipulates a minimum balance to be maintained. The minimum balance varies from bank to bank and when the balance in the account falls below the minimum balance then banks debit the account with some penal charges. Some banks insist quarterly average minimum balance to be maintained instead of regular minimum balance to be maintained.

Q.52- What do you mean by tax deduction at source?

Ans : TDS means tax deducted at source. Banks must deduct tax from the interest paid on the fixed deposit when the interest paid on fixed deposits to a customer exceeds ₹ 10000/- during the accounting year. TDS is applicable to fixed deposits only and is applicable to savings bank deposits.

Q.53- What do you mean hindu undivided family?

Ans : HUF means Hindu Undivided family and it is the legal entity duly recognized by the laws in India. The account of hindu undivided family is operated by Karta and karta is the senior most male member in the family. The remaining members in the family are called as coparceners. Banks can open deposit accounts and also extend loan facilities to hindu undivided family.

Q.54- What do you know by MICR?

Ans : MICR means magnetic ink character recognition. Nowadays, the cheques are issued in MICR formats in metropolitan centres namely; Mumbai, Chennai, Kolkata, Bangalore etc. The micro code is readable by a reader sorter computer which helps in quick sorting of the cheques towards immediate adjustment of the amount to be received and paid by the banks in the clearing house. MICR code consists of the following namely; the cheque number, name of the city, name of the bank, name of the branch, account category etc. and banks simply type the amount of the cheque in the MICR portion using scanners so that the sorter reader is able to read the entire information in regard to the cheque instantaneously.

Q.55- What do you mean by cheque truncation?

Ans : Under cheque truncation, the physical cheque is replaced by the digital image of the cheque after scanning. Once the cheque is truncated the physical cheque is cancelled and from the moment of truncation only the digital image has life. The digital image of the cheque which contains the digital signature of a bank officer as to its authenticity is processed by all banks and payment is effected. Cheque truncation helps in quick processing of the cheques drawn even on far away places since there is no necessity to physically move the cheque from one place to another place.

Q.56- What do you mean by ECS?

Ans : ECS means electronic clearing service and this facility is used where a large number of small value payments or receipts are to be made or received. ECS can be used for either debit transactions or credit transactions. When a company wants to pay dividends to large number of shareholders, they use ECS credit facility and by debiting the company's account, the shareholders accounts are credited with the dividend amount instantaneously. Similarly when an accountholder can use ECS debit facility towards effecting payment to telephone charges each month.

Q.57- What do you mean by bancassurance?

Ans : Hitherto banks were dealing with acceptance of deposits and lending loans to the customers apart from undertaking certain ancillary services. Nowadays banks started selling insurance policies of prominent insurance companies by having tie up arrangements with such companies and banks earn commission for such transactions.

Q.58- What do you mean by universal banking?

Ans : Universal banking is the concept under which banks can provide various types of services namely; deposits, loans, safe deposit lockers, safe custody services, dealing with mutual fund schemes, selling insurance policies, selling gold coins, dealing with issue of shares and debentures etc. thus at present banks are becoming like a supermarket for all kinds of financial products and such concept is called as universal banking.

Q.59- What do you mean by Regional Rural Banks?

Ans : The Regional Rural Banks are relatively new banking institutions which were added to the Indian banking scene since October, 1975. The distinctive feature of a Rural Bank is that though it is a separate body corporate with perpetual succession and common seal, it is very closely linked with the commercial bank which has sponsored the proposal to establish it.

Q.60- What do you mean by National Housing Bank?

Ans : National Housing Bank was established under the National Housing Bank act, 1987 as an apex body and the key function of National Housing Bank is the development of the housing sector and it is a wholly owned subsidiary of Reserve Bank of India. National Housing Bank undertakes the following activities namely; promotion and development of housing finance companies; regulation and supervision of housing finance companies and providing both direct finance and indirect finance to housing sector.

Q.61- What do you mean by NABARD?

Ans : National Bank for agriculture and rural development was set up in 1982 as an apex development bank in the field of agricultural finance and rural development. NABARD is set up by the Government for the purpose of facilitating credit flow for promotion and development agriculture and integrated rural development. It covers supporting all other allied economic activities in rural areas, promoting sustainable rural development and ushering in prosperity in the rural areas.

Q.62- What do you mean by EXIM Bank?

Ans : Export and Import Bank of India was set up during the year, 1982 for the purpose of financing, promoting and facilitating foreign trade in the country. It is wholly owned by the Government of India. The bank apart from enhancing exports from the country, integrates the country's foreign trade and investment with the overall economic growth.

Q.63- What do you mean by SIDBI?

Ans : SIDBI was established for the purpose of assisting and promoting small scale industry. It was established on 2.4.1990. It is the principal financial institution established for the promotion, financing and development of industry in the small scale sector and to coordinate the functions of the institutions engaged in the promotion and financing or developing industry in the small scale sector.

Q.64- What do you mean by NBFCs?

Ans : Non Banking Finance Companies provide finance for small ventures but at the same time they are more customer oriented and operate at low volumes compared to the banks. They also collect deposits from customers and offer slightly higher interest rates on deposits compared to the banks.

Q.65- What do you mean NEFT and RTGS?

Ans : The two options namely : national electronic funds transfer and RTGS – real time gross settlement offered by Reserve Bank of India allow electronic transfer of funds from the remitter who has an account in one bank to the beneficiary who has account in any other bank/branch. The transfer can be carried out using the internet banking facility. The minimum amount that can be transferred by RTGS is ₹ 2.00 lakh and there is no such limit for transfer through NEFT. It is settled in batches at times defined by the Reserve Bank of India. RTGS transactions are settled countinuously as and when they are put through. The transfer of funds through NEFT and RTGS can also be carried out by submitting the remittance form at the remitter's bank branch.

Q.66- What do you mean IFSC code?

Ans : IFSC means Indian financial system code. It is a eleven digit code to identify the bank branch. IFSC code is used while transferring the funds using RTGS and NEFT payments.

Q.67- What do you mean by financial inclusion?

Ans : In spite of vast growth in the banking system, a large number of poor people are still not served by any bank. They are living outside the purview of any bank. Financial inclusion is delivery of financial services at an affordable cost to the vast population of disadvantaged/low incomes sections of the society.

Q.68- What do you mean No frill accounts?

Ans : No frill accounts are accounts with very low or nil minimum balance as well as charges to be opened by the banks as targeted by Reserve Bank of India. KYC norms are relaxed for opening no frill accounts so that people living in rural and semi urban areas can open the accounts conveniently. Overdrafts upto ₹ 25000.00 are allowed in the no frill accounts.

Q.69- What do you mean by narrow banking?

Ans : It is the system of banking under which the bank accepts deposits from the public and places the funds accepted in 100 percent risk free assets with maturity matching for its liabilities. The bank takes no risk of lending at all.

Q.70- Who are business facilitators and business correspondents?

Ans : RBI has permitted the banks to use the services of business facilitators and correspondents with effect from 2006. The services of non governmental officers, microfinance institutions and civil society organizations can be utilized by the banks. They help the banks in identifying the borrowers processing their applications etc. without involving in business transactions. No approval of RBI is necessary. Correspondents will do all the above and will also participate in business transactions in a small way.

Q.71- What do you mean by non performing assets?

Ans : Non performing assets means bad loans. When the principal and interest in the account becomes overdue for more than 90 days. It is treated as non performing assets. Non performance assets are classified into sub standard assets, doubtful assets and loss assets. Banks are willing to keep the level of non performance accounts at the lowest.

Q.72- What are the major risks faced by banks according to Basel II norms?

Ans : Banks are facing credit risk, market risk and operational risk. When the bank lends an advance, it faces credit risk and sometimes the banks may not be able to recover the loan amount from the borrowers. In the case of failure of any bank product, the banks face market risk and operational risk occurs on account of failure of systems available in the bank branches namely; staff unrest; striking employees; computer failure; automated teller machines out of order etc.

Q.73- What do you mean by merchant banking?

Ans : Merchant banking stands for provision of various services to corporate clients by helping them to access capital market. Merchant banks help the corporate customers to approach the capital market with initial public offers for the purpose of collection of capital by way of shares.

Q.74- What do you mean by demat accounts?

Ans : Demat means dematerialization. During the early days, shares and debentures certificates were issued in physical form in the form of certificates. At present, they are issued in electronic form. It is the process by which paper securities are converted to electronic form so that they can be stored, sold and transferred easily.

Q.75- What is a depository?

Ans : A depository holds the securities of the investors in electronic form. In our country there are two depositories namely; NSDL – National Securities Depositories Limited promoted by National Stock Exchange and CDSL – Central Depository Services Limited promoted by Bombay Stock Exchange.

Q.76- What do you know by consortium financing?

Ans : When a corporate is in need of huge finance – say ₹200 crores and above, banks join together and extend the loan facilities by sharing the loan amount between themselves. This reduces the risk for each bank. The banks jointly process the application of the borrower and sanction the advance and this is called consortium lending.

Q.77- What do you mean reverse repo?

Ans : The reverse repo rate is the interest rate that banks receive if they deposit money with the central bank. This reverse repo rate is always lower than the repo rate. Increases or decreases in the repo and reverse repo rate have an effect on the interest rate on banking products such as loans, mortgages and savings.

Q.78- What do you mean by CRR?

Ans : CRR means Cash Reserve Ratio and as per the stipulations by Reserve Bank of India, all banks are in a position to maintain a certain percentage of their deposits (technically called as net demand and time liabilities) in their account with the RBI. CRR ranges from 5 percent to 15 percent. By increasing CRR by merely 0.25 percent, an amount of ₹ 15000 crores of liquid funds can be transferred from the commercial banks to the coffers of RBI. When CRR is reduced, the liquid funds are transferred from RBI to commercial banks.

Q.79- What do you mean by SLR?

Ans : Statutory Liquidity Ratio refers to the stipulation by RBI that approximately 25 percent of the banks deposits is to be kept in the form of government securities, gold and cash. Primarily SLR refers to the amount invested by the banks in Government of India securities. RBI has the right to change the statutory liquidity ratio from time to time. On reduction of SLR, the availability of funds for the banks moves up and banks tend to more loans to the common public. In the case of increase in SLR, banks reduce bank lending.

Q.80- What do you mean by PLR?

Ans : Prime lending rate is the rate at which commercial banks are willing to lend to their triple A rated No. 1 borrowers. The lending rates by the bank for other borrowers whose credit worthiness is low will be more than prime lending rate. RBI has deregulated the lending rates that are to be charged by the banks for advance above ₹ 2 lakhs.

Q.81- What do you mean by BPLR?

Ans : It is the rate at which commercial banks must charge to all their advances less than ₹ 2 lakhs.

Q.82- Who is a non resident Indian?

Ans : Non resident Indian is the person who is the Indian citizen who is residing in abroad for more than 182 days and has gone for abroad for the purposes namely; business, studies and employment.

Q.83- What are the different types of accounts that can be opened by Non Resident Indians?

Ans : Non resident ordinary account, Non resident External account, FCNR account and RFC account.

Q.84- What are the different currencies in which FCNR accounts can be opened?

Ans : FCNR accounts can be opened in the following currencies namely; US dollar, pound sterling, Euro, Australian dollar, Japanese Yen and Canadian dollar, FCNR accounts can be opened for a minimum period of one year and maximum period of three years.

Q.85- What are the traditional functions of RBI?

Ans : The traditional functions of RBI are – issue of currency, forex management, export assistance, clearing house functions, change of currency, transfer of currency, publication of statistics and other information and training in banking.

Q.86- What are the developmental functions of RBI?

Ans : The developmental functions of RBI are – agriculture development, promotion of industrial finance, promotion of export through refinance, development of bill market, development and regulation of banking system.

Q.87- What are the regulatory functions of RBI?

Ans : The regulatory functions of RBI are – qualitative credit control, bank rate, differential rate of interest, open market operations, Maintenance of CRR and SLR, direct action, credit authorization scheme and moral persuasion.

Q.88- What are the different types of financial institutions in our country?

Ans : The various financial institutions in our country are – RBI – Reserve Bank of India; SEBI Securities and Exchange Board of India and IRDA – Insurance Regulatory and Development Authority of India. RBI monitors the various banks in the country; SEBI monitors and regulates capital markets and IRDA monitors the functions of insurance companies.

Q.89- What are the different types of banks in our country?

Ans : In our country the following banks are available – savings banks; commercial banks; industrial banks; development banks; land development banks; indigenous banks; central bank; cooperative banks; exchange banks and consumer banks.

Q.90- What are the different types of secondary functions of any bank

Ans : They are agency or representative functions; general utility services and social development functions.

Q.91- What do you mean by agency or representative functions of any bank?

Ans : They are collection and payment of various items; purchase and sale of securities; trustee and executor; remitting money; purchase and sale of financial exchange; letter of references and other agency functions.

Q.92- What are the general utility services offered by the banks?

Ans : They are locker facilities; business information; help in transportation of goods; acting as a referee; issuing of letters of credit; acting as underwriters; issue of traveler cheques; issue of gift cheques and dealing in merchant banking activities.

Q.93- What are the social development functions of a bank?

Ans : They are capital formation; inducement to innovations; impact on the rate of interest; role on the development of rural sector; helping in pushing up to the demand.

Q.94- Can you name some items which are covered under negotiable instruments act?

Ans : They are promissory notes, bills of exchanges; cheques, exchequer bills, circular notes; dividend warrants; share warrants; bearer debentures; bank notes and bank drafts.

Q.95- What do you mean by priority sector advance?

Ans : In order to boost development of agriculture and industries, Government of India has stipulated certain norms under which banks are in a position to allocate 40 percent of their advances exclusively to certain categories of borrowers called as priority sector advances. The following are classified into priority sector advances namely – retail traders, small business, professional and self employed; agriculture; small scale industries, self help groups, differential rate of interest and SC/ST beneficiaries.

Q.96- What do you mean by weaker sections?

Ans : The following categories are termed as weaker sections namely – small business enterprises; marginal farmers; artisans/village and cottage industries for whom loans are granted upto ₹ 50000.00; SGSY beneficiaries; SC/ST beneficiaries; DIR beneficiaries; SJSRY beneficiaries; SLRS; self help groups and people belonging to minority community.