

# Introduction



## PRIDE OF BEING IN THE BFSI SECTOR

- Offers a fast-paced, challenging career
- Continuous development opportunities
- Salary and Benefits
- Long term career plans
- And what can be better than joining the Best and Fastest growing Mid-Size Bank



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# Module 1

By the end of the session, you will know:

- **Evolution of Money**
- Evolution of Banking
- Retail Banking – Asset Products



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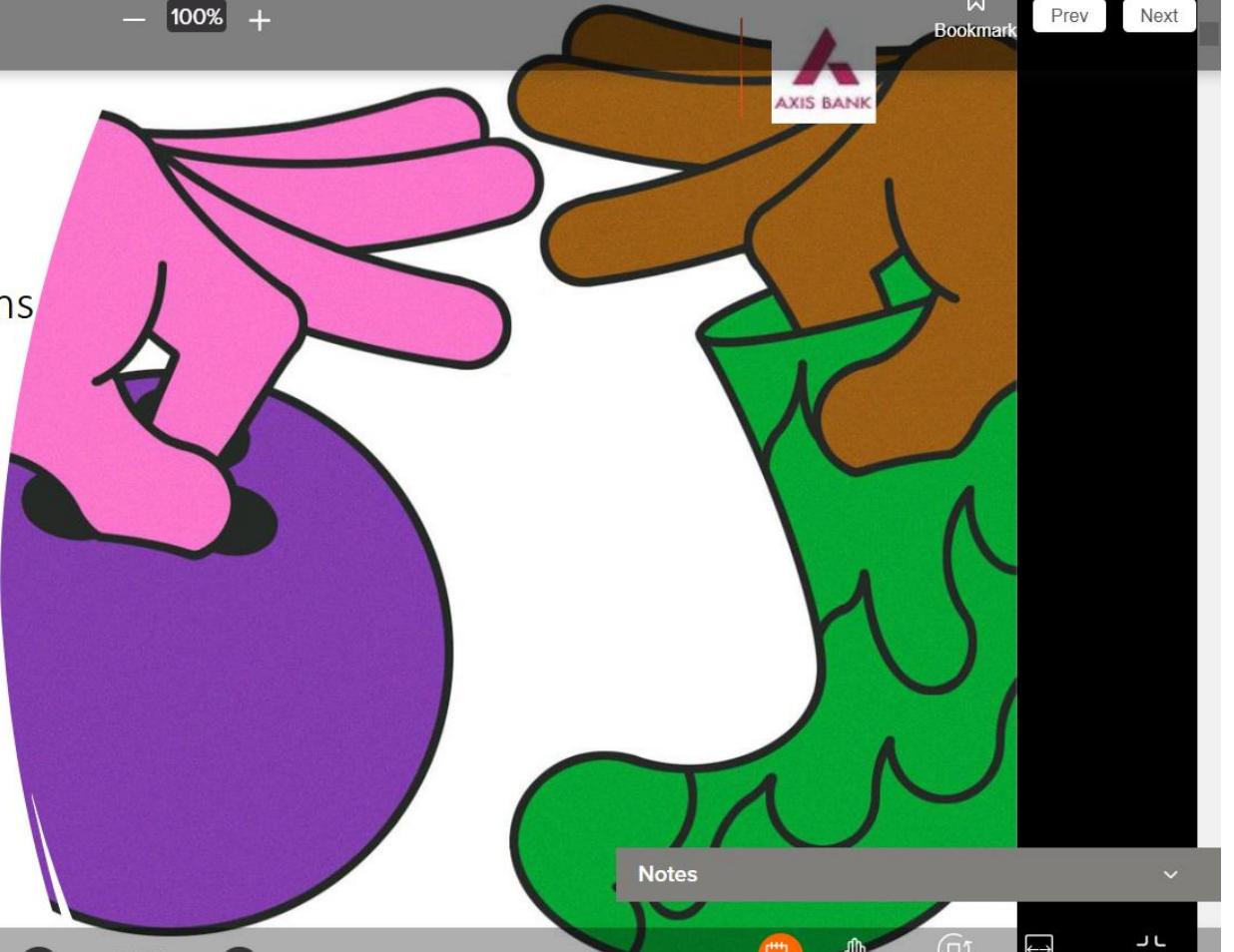


## *Evolution of Money*

From Barter System to Gold Coins

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- **Barter System**
- A system of exchange where goods were directly exchanged for goods
- Involved a double coincidence of wants



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## Evolution of Money

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### From Barter System to Gold Coins

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#### Gold Coins

- Melted, formed, and measured made it a natural trading medium
- Concept of money: portable, private and permanent.
- Gold (and silver) started as standardized coins
- Use of gold coins proved to be the standard means of exchange



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# EVOLUTION OF MONEY

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Prev Next

## FROM GOLD STANDARD TO METALLIC COINS

### Metallic Coins

- Gold or silver was used to determine the standard value
- Their face value was equal to their intrinsic metal value
- Standard coins of metal were full weighted legal tender.
- Different alloys used for minting of coins.
- The metallic coins have a specific weight and shape

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# EVOLUTION OF MONEY

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## FROM METALLIC COINS TO PAPER CURRENCY

### Paper Currency

- Coins were expensive to produce and less portable
- This gave rise to issue of paper currencies
- Paper currencies were portable and less expensive to print
- They could be printed with greater variation of designs
- Security features could be introduced



Notes

## EVOLUTION OF MONEY

### FEATURES OF MONEY

- 
- Medium of Exchange
  - Store of Value
  - Unit of Account
  - Standard of Deferred Payment



Notes

## EVOLUTION OF MONEY

### FEATURES OF MONEY

1. **Medium of exchange:** Money acts as an intermediary between buyer and seller.
  
2. **Store of value:** Money can be used now or stored to be used in the future.



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## FEATURES OF MONEY

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**3. Unit of account:** It is a measurement of value. It is:

- Divisible
- Fungible
- Countable

**4. Standard of deferred payment:**

- Standard for payments which are to be made in future



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# EVOLUTION OF MONEY

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## CURRENCY

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- Money has no intrinsic value
- Has only the value that is ascribed to it
- Every country uses its national currency as legal tender
- Legal tender - to settle debt or in order to meet fiscal responsibility.



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## EVOLUTION OF MONEY

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### PAPER MONEY TO PLASTIC CARDS

- Represents Debit Cards, Credit cards etc. used in place of actual banknotes
- Avoids the necessity to carry cash and are also difficult to mutilate
- Used for online banking, wire transfers and paying bills online.
- Reduction in currency printing costs  
Acceptance in the marketplace by merchants



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## EVOLUTION OF MONEY

### PLASTIC CARDS TO ELECTRONIC BANKING

- Information technology-based banking service by way of a Computer-Controlled System.
- This system involves direct interface with the customers.
- Transactions, Enquiries and Requests are done by telephone or computer



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## ELECTRONIC BANKING – ADVANTAGES

- Operating cost lower for the bank
- Customers need not go to the bank
- Very low incidence of errors.
- Obtain funds any time from ATM
- Credit cards and debit cards enables to transact cashless.
- Funds can be transferred across geographical distances, electronically.



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# EVOLUTION OF MONEY

## ELECTRONIC BANKING

- Automated Teller Machines (ATM)
- Credit Cards and Debit Cards
- NEFT, RTGS, IMPS
- Mobile Banking
- Internet Banking
- Phone Banking



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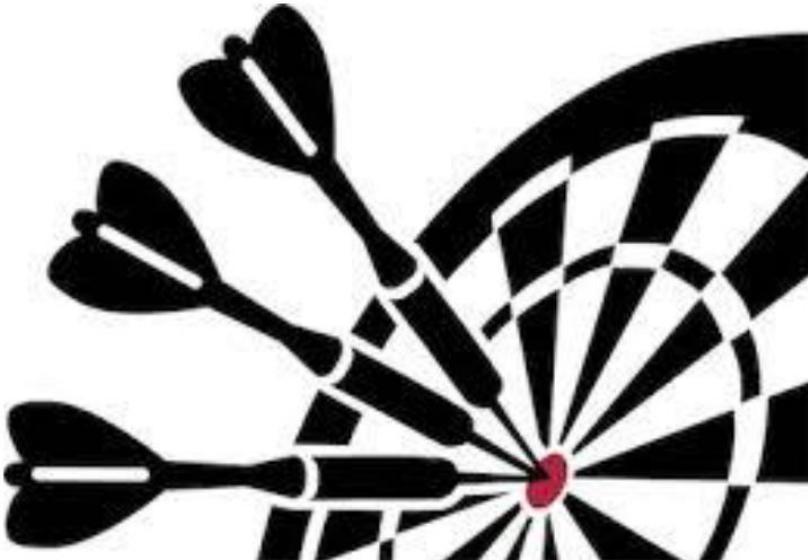
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## Module 2

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- By the end of the session, you will know:
- Evolution of Money
- **Evolution of Banking**
- Retail Banking – Asset Products



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## EVOLUTION OF BANKING

### MILESTONES IN BANKING INDUSTRY

- 1770 – Bank of Hindustan
- 1935 – RBI started Operations
- 1955 – SBI was formed
- 1969 – Nationalization of 14 Banks
- 1987 – First ATM in India was set up
- 1994 – Private banks introduced
- 1997 – Electronic banking launched
- 2005 – Banking Ombudsman
- 2007 – Cheque Truncation System
- 2015 – Payments Bank introduced
- 2016 – a) Small Finance Banks introduced b) UPI launched by NPCI



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## EVOLUTION OF BANKING

### BANKING FROM 1786 TILL DATE

- Phase I - From 1786 to 1969
- Phase II - From 1969 to 1991 - Nationalization to Pre-Liberalization era
- Phase III - New phase of Indian Banking Indian Financial & Banking Sector Reforms after 1991

Notes

# EVOLUTION OF BANKING



## REGULATORY AUTHORITIES

**RBI**

Reserve Bank  
of India



**SEBI**

Securities and  
Exchange  
Board of India



**IRDAI**

Insurance Regulatory  
and Development  
Authority of India



All types of  
Banks

Capital Markets/  
Mutual Funds

Insurance  
Companies

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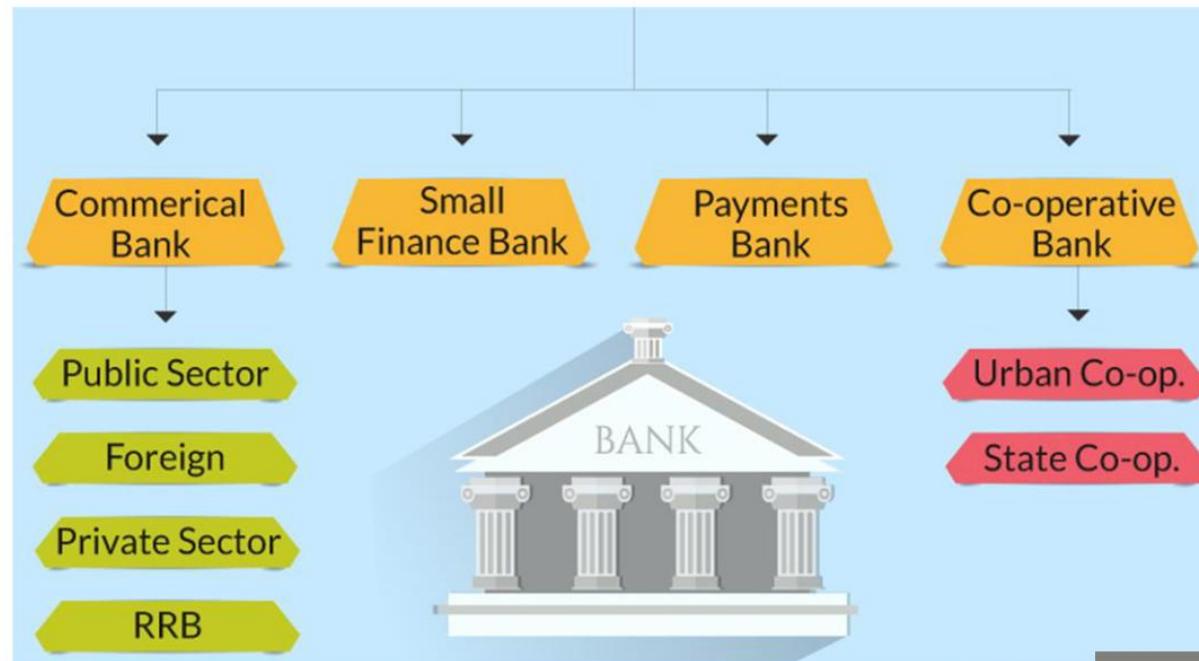
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# INTRODUCTION TO BANKING

## BANKS UNDER RBI



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## EVOLUTION OF BANKING

### RESERVE BANK OF INDIA

- Regulate the issue of banknotes
- Maintain reserves with a view to securing monetary stability
- Operate the credit and currency system of the country to its advantage



Notes

## EVOLUTION OF BANKING



### FUNCTIONS OF RBI

- Monetary Management
- Issuer of Currency
- Banker and Debt Management to Government
- Banker to Banks
- Financial Regulation and Supervision
- Foreign Exchange Reserve Management
- Foreign Exchange Management
- Market Operations
- Payment and Settlement System
- Developmental Role



Notes

## EVOLUTION OF BANKING



- BCSBI was registered in February 2006 as an independent and autonomous body.
- Has evolved two codes - Code of Bank's Commitment to Customers and Micro and Small Enterprises
- Objectives:
  - Good banking practices
  - Setting minimum standards
  - Transparency
  - Operating standards
  - Banker-customer relations



**The Banking Codes and Standards Board of India**

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## EVOLUTION OF BANKING

### BANKING OMBUDSMAN

- Quasi-judicial authority for resolving disputes between a bank and customers
- The scheme covers grievances of the customers against banks
- It also covers grievances related to credit cards and activities of the selling agents
- If unsatisfied with the decision of the BO, Bank and Customer can appeal to the appellate authority within the RBI



The Ombudsman  
Resolving a  
complaint

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# INTRODUCTION TO BANKING

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## LEGAL FRAMEWORK

### THE INDIAN BANKING SECTOR IS REGULATED BY

**Reserve Bank of India Act 1934**

**Banking Regulation Act 1949**

**Foreign Exchange Management Act 1999**

Notes

## LEGAL FRAMEWORK

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- **Reserve Bank of India Act 1934**
- Enacted to constitute RBI
- 61 Sections in the RBI Act 1934
- It talks about:
  - Title, extent and commencement and definitions
  - Incorporation, Capital, Management and Business
  - Central Banking Functions
  - General Provisions
  - Penalties



Notes

## LEGAL FRAMEWORK

### Banking Regulation Act 1949

- Commercial banking in India is supervised and regulated
- In 1965, the Act was amended to include Cooperative Banks
- There are total 56 Sections in the BR Act 1949
- Empowers RBI to supervise the management of banks



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# INTRODUCTION TO BANKING

## LEGAL FRAMEWORK

### Foreign Exchange Management Act 1999

- Enacted to replace the Foreign Exchange Regulation Act 1973
- It consolidates and amends laws regulating foreign exchange in India
- Facilitate external trade and payments
- Promotes development of foreign exchange market in India



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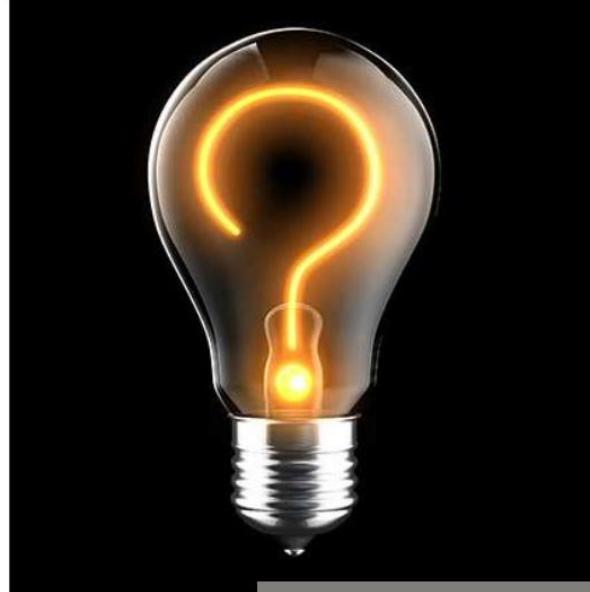
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- Think and share your response



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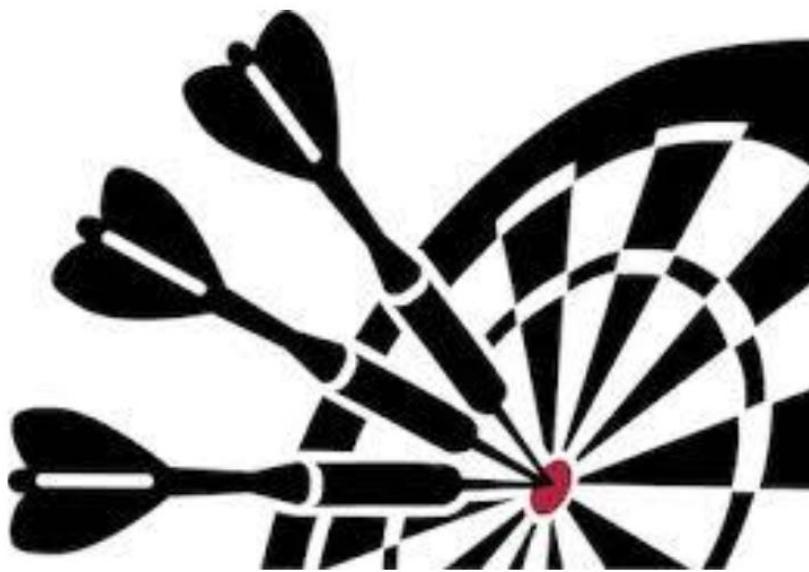
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# MODULE 3

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- By the end of the session, you will know:
- Evolution of Money
- Evolution of Banking
- **Retail Banking – Asset Products**



Notes

# Retail Banking

## 5 Cs of Credit:

- Character
- Capital
- Capacity
- Collateral
- Condition



Notes

# Retail Banking

## RETAIL LOANS



**Secured Loan**

- Housing
- Car

**Unsecured Loan**

- Loan Against Shares
- Personal Loan
- Credit Card
- Overdrafts

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## Retail Loans – Secured Loan

### Housing Loan

- Purchase a new property, renovate existing property
- Mortgage allows bank to recover its dues from sale proceeds in case of default
- Paid out as Equated Monthly Instalment
- Interest depends on amount borrowed, interest rate, and loan tenure



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## Retail Banking



Retail Loans – Secured Loan

### Housing Loan

The customer can avail income tax rebate on interest paid for their home loan

Sections in the IT Act	Nature of home loan deduction in income tax	Maximum amount deductible
Section 80C	Tax deductions on the principal repayment	Rs. 1.5 Lakh
Section 24	Tax deductions on the interest amount payable	Rs. 2 Lakh
Section 80EE	Additional home loan interest tax benefit for first-time home buyers	Rs. 50,000

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**Retail Banking**

**Retail Loans – Secured Loan**

**Car Loan**

- Purchase a new or used car
- Hypothecation created on the purchased car, to recover dues from the sale proceeds in case of default
- The duration of the loan period is generally 7 years for new car, 5-7 years for used cars
- No income tax rebate is offered on the car loan interest payment



Notes

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## Retail Banking

### Retail Loans – Unsecured Loan

#### Loan Against Securities

- An overdraft facility on financial securities like shares, units, bonds etc.
- Pledge is created on the security, used in case of default
- Continue to have rights of receiving dividends and bonuses
- No income tax rebate is offered on the loan against securities interest payment



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## Retail Loans – Unsecured Loan

### Personal Loan

- Purchase of commodities
- Short term loans vary between 12 months to 60 months.
- Have highest interest rate among the retail products available
- No income tax rebate is offered on interest payment on these loans.

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## Retail Banking

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### Retail Loans – Unsecured Loan

#### Personal Loan

- Applicant should have a good credit history, strong income proof, and a long relationship
- A disciplined repayment history and high credit worthiness is favorable.
- Require minimal or no documentation.



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**Retail Banking**

**Retail Loans – Unsecured Loan**

**Credit Cards**

- Used to borrow money on credit or buy on credit or make payment.
- Cardholders pay back the borrowed money, plus any applicable interest or charges, either now or later
- Limit depends on the credit worthiness and risk profile



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## Retail Loans – Unsecured Loan

- Credit Cards

The diagram illustrates a credit card with the following labeled parts:

- Chip
- Card number: 1234 5678 9012 3456
- Expiration date: VALID THRU 05/21
- Cardholder Name
- Magnetic strip
- Signature
- CVC code: 4567 123
- Hologram

Notes

## Retail Loans – Unsecured Loan

### Overdraft

- Draw funds in excess of the balance amount in deposit
- Fee for accessing the overdraft facility
- The bank also has the right to demand repayment in full.
- Interest is charged only on the utilized amount



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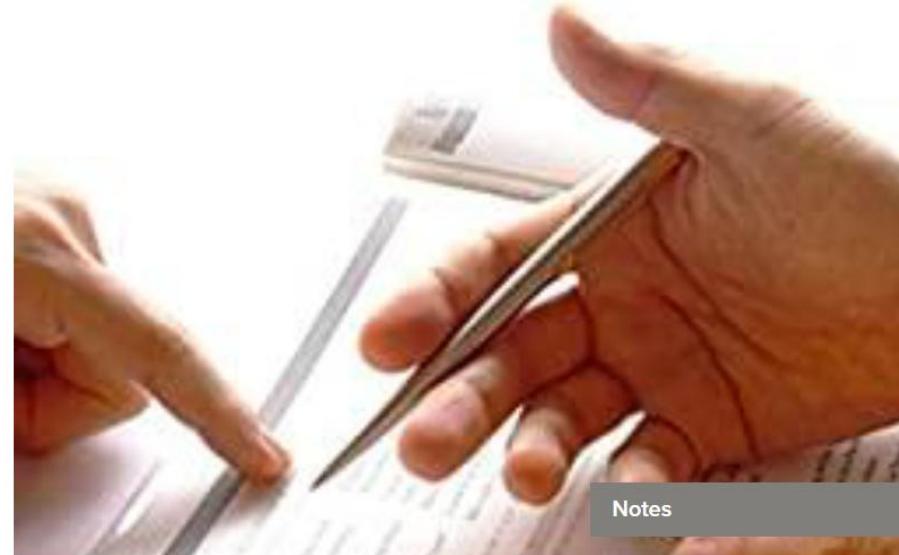
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## Modes of Charging Securities – Lien

- Guarantees an underlying obligation
- If your account has a lien against it, some or all your funds cannot be used by you
- A lien is marked on Fixed deposit when an overdraft facility is taken
- Since possession is with the creditor, it is the strongest form of security

**Ultimate Guide To Deleting Tax Lien Notices From Credit Reports**



Notes



*Retail Banking*



## Modes of Charging Securities – Pledge

- Used when the lender takes actual possession of movable goods
  - Pledgee retains possession of goods until the borrower repays the debt
  - The pledgee possesses, but does not own the pledged asset
  - In case of default by the borrower, the pledgee has a right to sell the goods



Notes

## Modes of Charging Securities – Hypothecation

- Charge against the security of movable assets
- The possession of the security remains with the borrower itself.
- In case of default, the lender first takes possession and then sells it
- Examples are Vehicle loans, loans against stocks and debtors



Notes

## Modes of Charging Securities – Assignment

- Provides security against borrowing
- Charge on the assets held in the books
- The rights, title and interest in debts due are transferred to another person
- Transfer of LI, NSC etc., to the bank as a security against borrowing from banks
- On full payment of dues to the assignee, the assignor gets the security re-assigned



Notes

## Modes of Charging Securities – Mortgage

- Creating charge against immovable property
- Ownership transferred to the lender if the borrower defaults
- Borrower continues to possess of the property
- For example: for Housing Loan, a house is mortgaged in favour of the bank but remains in possession of the borrower, which he may use for himself may give on rent.



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## Retail Loans – NPA

- Is a loan or advance for which the principal or interest payment remains overdue for 90 days.
- For the borrower, NPA and non-interest payments can negatively affect their credit
- For the bank, NPAs will negatively affect their income and profitability.
- Too many NPAs adversely affect liquidity and growth of banks

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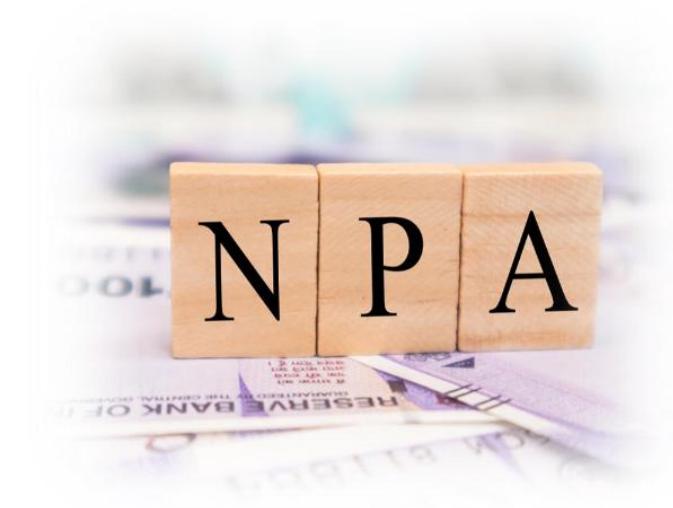
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# Retail Banking

## Retail Loans – NPA classification

1. Substandard: Assets which has remained NPA for a period less than or equal to 12 months, with a normal risk level
  
2. Doubtful: An asset if it has remained in the substandard category for a period of 12 months with significantly higher risk level
  
3. Loss: Asset is considered uncollectible and its continuance as a bankable asset is not warranted, although there may be some salvage or recovery value.



Notes

# Retail Banking

## Retail Loans – CIBIL

- India's first Credit Information Company founded in August 2000.
- The member bank, credit institutions submit their records to CIBIL monthly
- Credit Information Report and Credit Score help Banks in approving loan applications.
- Credit Information Report is used by credit grantor during new customer acquisition.
- CIBIL score is a three-digit number, ranging from 300 to 900
- A score above 700 is considered good

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