General Knowledge & Banking Awareness

HISTORY OF BANKING

The first bank in India, though conservative, was established in From 1770 till today, the journey of the Indian Banking System be segregated into three distinct phases. They are discussed below:

Phase I Early phase from 1786 to 1969.

Phase II Nationalisation of Indian Banks is 1969 and up to 1991, prior to Indian banking sector Reforms.

Phase III New phase of Indian Banking System with the advent of Indian Financial & Banking Sector Reforms after 1991.

Phase I

Banking in India dates back to the last decade of 18th century. Bank of Hindustan was the first to be, established in 1770, but liquidated in 1829-32. General Bank of India was restablished in 1786 but failed in 1791.

The East India Company established Bank of Bengal (1809), Bank of Bombay (1840) and Bank of Madras (1843) as independent units and were called Presidency Banks. These three banks were amalgamated in 1920 and Imperial Bank of India was established - which started as a private shareholders bank with mostly Europeans shareholders.

In 1865 Allahabad Bank was established and for the first time exclusively by Indians, Punjab National Bank Ltd. was set up in 1894 with headquarters at Lahore. Between 1906 and 1913, Bank of India, Central Bank of India, Bank of Baroda, Canara Bank, Indian Bank, and Bank of Mysore were set up. Reserve Bank of lndia came in 1935. During the first phase the growth was very slow and banks also experienced periodic failures between 1913 and 1948. There were approximately 1100 banks, mostly small. To streamline the functioning and activities of commercial banks, the Government of India came up with The Banking Companies Act, 1949 which was later changed to Banking Regulation Act 1949 as per amending Act of 1965 (Act No. 23 of 1965). Reserve Bank of India was vested with extensive powers for the supervision of banking in India as the Central Banking Authority.

During those days public had lesser confidence in the banks. As an aftermath, deposit mobilisation was slow. Abreast of it, the savings bank facility provided by the Postal department was comparatively safer. Moreover, funds were largely given to established traders.

Phase II

Government took major steps to reform the Indian Banking Sector after independence. In 1955, it nationalised Imperial Bank of lndia with extensive banking facilities on a large scale, specially in rural and semi-urban areas.The Imperial Bank of lndia became the State Bank of India in 1955. In 1960, the state Bank of India was given control of eight state-associated banks under the State Bank of India (Subsidiary Banks) Act, 1956. These are now called its associate banks. State Bank of lndia acts as the principal agent of RBI. On 19th July, 1969, a major process of nationalisation were carried out. It was the effort of former Prime Minister of lndia, late Mrs. Indira Gandhi. 14 major commercial banks in the country were nationalised.

The second phase of nationalisation of Indian Banking Sector was carried out in 1980 with seven more banks. This step brought 80% of the banking segment in India under Government ownership.

In summary, the following are the steps taken by the Government of lndia to Regulate Banking Institutions in the Country:

1. 1949 : Enactment of Banking Regulation Act.
2 1955 : Nationalisation of State Bank oflndia.
3. 1960: Nationalisation of SBI subsidiaries.
4. 1961 : Insurance cover extended to deposits.
5. 1969: Nationalisation of 14 major banks.
6. 1975 : Creation of regional rural banks.
7. 1980 : Nationalisation of seven banks with deposits over 200 crore.

After the nationalisation of banks, the branches of the public sector banks in India rose approximately 800% in deposits and advances took a huge jump by 11,000%.

Phase III

This phase has witnessed tremendous progress in the banking sector. In 1991, under the chairmanship of M Narasimhan, a committee was set up which worked for the liberalisation of banking practices.

Now-a-days the country is flooded with foreign banks and their ATM stations. Efforts are being put to give a satisfactory service to customers. Phone banking and net banking has also been introduced. The entire system has become more convenient and swift and castomer friendly.

BANK NATIONALISATION IN INDIA

Reserve Bank of India was the first bank to be nationalsed on 1 st January 1949 under the terms of the Reserve Bank of India (Transfer to Public Ownership) Act, 1948. The Banking Regulation Act was passed in 1949 to confer on the RBI, the right to regulate, control and inspect the banks in India. So, RBI is the apex or Central Bank of the country then, in 1955, State Bank of India was nationalised, followed by the nationalisation of the subsidiaries of SBI in 1960.

Name of the Bank	Subsidiary with effect from
1. State Bank of Hyderabad	1st October 1959
2. State Bank of Bikaner	1st January 1960
3. State Bank of Jaipur	1st January 1960
4. State Bank of Saurashtra	1st May 1960
5. State Bank of Patiala	1st April 1960
6. State Bank of Mysore	1st March 1960
7. State Bank of Indore	1st January 1968
8. State Bank of Travancore	1st January 1960

With effect from 1 st January 1963, the State Bank of Bikaner and State Bank of Jaipur were a malgamated.

In 1969, The Government of India issued an ordinance and nationalised the 14 largest commercial banks with capitals exceeding 50 crores, with effect from the midnight of July 19,1969. Within two weeks of the issue of the ordinance, the Parliament passed the Banking Companies (Acquisition and Transfer of Undertaking) Bill,

A second dose of nationalization of 6 more commercial banks followed in 1980.

The Government Nationalized six more commercial private sector banks with deposit liability of not less than ₹ 200 crores on 15th April 1980, viz.

1. Andhra Bank.
2. Corporation Bank.
3. New Bank if India.
4. Oriental Bank of Commerce.
5. Punjab and Sind Bank.
6. Vijaya Bank.

With the second dose of nationalization, the Government of India controlled around 91% of the banking business of India. Later on, in the year 1993, the government merged New Bank of India with Punjab National Bank.

It was the only merger between nationalized banks and resulted in the reduction of the number of nationalised banks from 21 to 20. After this, until the 1990s, the nationalised banks grew at a pace of around 4%, closer to the average growth rate of the Indian economy.

Consequences of Nationalisation

1. Because of liberal credit extension policy, default rate has risen.
2. Political interference has been an additional malady.
3. Poor appraisal during the loan melas conducted for credit disbursals, also increased the 10 sses of the banks.
4. The credit facilities extended to the priority sector at concessional rates, helped in their reviveal.
5. The high level of low yielding SLR investments adversely affected the profitability of the banks.
6. The rapid branch expansion has reduced the profitability of banks, primarily due to the increase in the fixed costs.
7. There was downward trend in the quality of services and efficiency of the banks.

LIBERALISATION

In the early 1990s, the Narasimha Rao government embarked on a policy of liberalization, licensing a small number of private banks. These came to be known as New Generation tech savvy banks, and included Global Trust Bank (the first of such new generation banks to be set up), which later amalgamated Oriental Bank of Commerce, Axis Bank(earlier known as UTI Bank).

ICICI Bank and HDFC Bank.

This move, along with the rapid growth in the economy of India, revitalized the banking sector in India, which has seen rapid growth with strong contribution from all the three sectors of banks namely government banks, private banks and foreign banks.

The next stage for the Indian banking has been set with the proposed relaxation in the norms for Foreign Direct Investment, where all Foreign Investors in banks may be given voting rights which could exceed the present cap of 10%. At present it has gone up to 74% with some restrictions.

In March 2006, the Reserve Bank of India allowed Warburg Pincus to increase its stake in Kotak Mahindra Bank (a private sector bank) to 10%.

This is the first time an investor has been allowed to hold more than 5% in a private sector bank since the RBI announced norms in 2005 that any stake exceeding 5% in the private sector banks would need to be vetted by them.

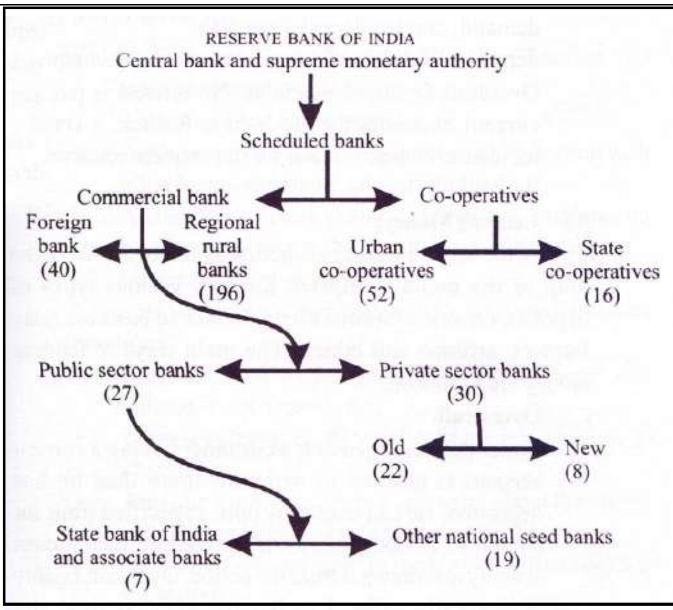
Banking History : at a glance

Creation of Reserve bank of India: 1935
Nationalisation of Reserve Bank of India : 1949 (January)
Enactment of Banking Regulation Act: 1949 (March)
Nationalisation of State Bank of India : 1955
Nationalisation of SBI Subsidiaries: 1959
Nationalisation of 14 major Banks : 1969
Creation of Credit Guarantee Corporation: 1971
Creation of Regional Rural Banks: 1975
Nationalization of 7 more banks with deposits over ₹200 Crore: 1980

CLASSIFICATION OF BANKS

Bank which are included in the Second Schedule of the Reserve Bank of India Act, 1934 are scheduled Banks. Scheduled Banks are further classified as Scheduled Commercial Banks and Scheduled Co-operative Banks. The Scheduled Commercial Banks are further categorised into five different groups according to their ownership or nature of operation. These five bank groups are-

(i) State Bank of India and its Associates
(ii) Nationalised Banks
(iii) Private Sector Banks
(iv) Foreign Banks
(v) Regional Rural Banks



Structure of the organised banking sector in India. Number of banks are in brackets.

Growth of Banking in India the initiatives of the goverment has paid rich dividends and the Banking Sector has witressed tremendous growth.

CLASSIFICATION OF BANKS ON THE BASIS OFTHEIR FUNCTION

On the basis of functions, Classification of Banks may be classified into two broad categories-Specialised Banks & Regular Banks.

Types of Banks

Specialised Banks	Regular Banks
1. Central Banks	1. Commercial Banks
2 Industrial Banks	2. Cooperative Banks
3. Land Mortgage Banks	3. Saving Banks
4. Merchant Banks	4. Indigenous Banks
5. Exchange Banks	
6. Export- Import Banks	

A brief description of the functions of the various banks follows-

1 **Central Bank :** Central Bank is the apex institution which supervise and controls the entire banking system of the country. Every country has a central banks. The RBI is the central bank of our country. The main functions of a central bank are as follows-
   (a) It has the monopoly of issuing currency notes.
   (b) If acts as Banker's agent and financial advisor to the government.
   (c) If acts as Banker's Bank.
   (d) It is the controller of credit in the country.
   (e) It is the custodian of the country's foreign exchange reserves.
   (f) It provides cleaning settlement and transfer facilities to commercial banks.

2. **Industrial Banks:** These banks provide long-term and medium-term finance to industries. They help in the promotion of new industries. They help in the promotion of new industrial units and in the expansion, modernisation and rehabilitation of existing units. They also give technical and managerial advice to these units. There banks are also known as Development Banks. IDBI, ICICI, Industrial Finance Corporation of India and state financial corporation are example of Industrial Banks in our country.

3. **Land Mortgage Banks :** These banks provide long-term finance to agriculturists to fulfill their credit needs for purchasing tractors, cattle, tube wells etc. to increase their productivity Loans are granted against mortgage of property. These banks are also known as Agricultural Banks.

4. **Merchant Banks :** These are specialised banks which provide financial services to business firms. They act as issuing houses, under writers etc. SBI Capital Markets is a leading example of Merchant Bank in India.

5. **Exchange Banks :** These banks provide financial for foreign trade. They deal in foreign exchange and assist importers and exporters.

6. **Export-** Import Banks: These provides insurance cover to exporters against losses from non-payment of the importers as a means to promote the country's foreign trade.

7. **Commercial Banks :** These banks perform all kinds of banking business. The accept deposits from the public and provide loans and advances to customers.
   In India, these are three types of commercial banks:
   (a) Public sector commercial banks which are owned by the government, such as Bank of Baroda, Allahabad bank, etc.
   (b) Private sector Commercial banks which are owned by private individuals. ICICI Bank, global Trust Bank. etc. are examples of private sector commercial banks.
   (c) Foreign banks which have been incorporated outside India Ex- Citibank, ANZ grindlays. Standard chartered Bank, etc.
   The state Bank of India is the largest commercial bank in India. These banks are also knows as joint stock banks because these are organized as joint stock companies.

8. **Co-operative Banks :** These banks are formed and set up on the principal of cooperation. They are registered under cooperative societies Act. They accept deposits from the members and grant loans to them at low rate of interest.

9. **Post office savings Banks :** These banks are formed with the aim of encouraging sawing and thrift among the people. In India, Postal Saving Bank is the most popular type of savings bank. Any one can deposit Money in a Post Office Savings Bank and can withdraw the same after a fixed period or at a short notice. Both the principal amount and the interest are guaranteed by the government of India.

10. **Indigenous Bankers :** These are money lenders who accept deposits and grant loans. They are popular in villages and small towns. They charge a high rate of interest from the borrowers.

FUNCTIONS OF COMMERCIAL BANKS

Commercial banks perform two type of functions-

(i) Primary functions, &

(ii) Secondary functions.

(i) Primary Functions are further classified as-

(a) Accepting Deposits:

It is the main function of commercial banks. A commercial bank accepts deposits from people who have surplus money. Banks after the following types of deposit schemes to attract saving from the people-

- **Fixed Deposit Account-**
  A fixed deposit is repayable after the expiry of the specified period. The period may vary from 6 months to 5 years. Deposits for more than one year are known as 'term deposits'. Longer the period of deposits, higher is the rate of interest. The bank issues Fixed Deposit Receipt (FDR) to the depositor, acknowledging the amount received. FDR specifies the amount deposited, the period of deposit, the rate of interest and name and address as the depositor. The amount deposited is repayable on maturity. In case the depositor needs money before the due date, he can borrow against the deposit.
- **Saving Deposit Account-**
  The aim of a savings account is to mobilise the small savings of the public. A person can open a savings deposit account by depositing a small sum of money. He can withdraw money from his account and make additional deposits at will. A cheque facility is available. But, these may be some restrictions on the number of withdrawals and the amount withdrawn.
  The rate of interest on savings deposits is lower than fixed deposits.
- **Recurring Deposit Account-**
  The aim or recurring or cumulative deposits is to encourage regular savings by the people. A depositor can deposit a fixed amount, say ₹500 every month for a fixed period. The amount together with interest is repayable on maturity. The rate of interest is higher than that on savings account.
- **Current Deposit Account-**
  These are generally opened by business men. The account-holder can deposit and withdraw money whenever desired. As the deposit is repayable on demand, current deposits are also known as demand deposits. Withdrawals are always made by ehegues Overdraft facility is available. No interest is paid on current accounts by the banks. Rather, a certain incidental charge is made for the services rendered by the bank.

(b) Lending Money:

This is the second primary function of the bank. With the help of the money collected through various types of deposits, commercial banks lend finance to business men, farmers, artisans and others. The main ways of lending money are as follows:-

- **Over draft-**
  Under this arrangement, a customer having a current account is allowed to withdraw more than he has deposited. He can overdraw upto a specified limit for an agreed period. Interest is charged on the amount actually overdrawn during the period. Overdraft facility is generally offered to businessmen agains the security of some assets or on the personal security of the customer. It is a temporary arrangement.
- **Cash Credit-**
  Under this arrangement, the bank advances cash loan up to a specified limit against current assets and other securities. The bank opens an account in the name of the borrower and allows him to withdraw the borrowed money from time to time subject to the sanctioned limit Interest is charged on the amount actually withdrawn.
- **Loans & Advances-**
  A loan is a lump sum advance repayable on the expiry of the specified period. It may be secured or unsecured Generally, a loan is granted against the security of assets or the personal guarantee of the borrower. Interest is charged on the whole amount sanctioned
- **Discounting of Bills of Exchange-**
  Under this system, a customer can get the amount of bill receivable from the bank before the date of maturity The bank pays the amount of the bill after deducting the usual discount (interest) charges. On the date of maturity, the bank presents the bill to the acceptor and gets the amount. In case the bill so discounted is dishonoured, the bank claims the full amount from the customer along with incidental charges.

(ii) Secondary Functions-

The secondary functions of commercial banks are as under-

(i) Agency Functions

As an agent of its customers, a commercial bank provides the following services-

- Collecting bills of exchange, promissory notes and cheques.
- Collecting dividends, interest, rent, etc.
- Buying and selling shares, debentures and other securities.
- Payment of interest, insurance premium, taxes, * subscriptions, etc.
- Transferring funds from one branch to another and from one place to another.
- Acting as a trustee or executor.
- Acting as an agent or representative while dealing with other banks and financial institutions.
  A commercial bank performs the above functions on behalf of and as per the instructions of its customers.

(ii) General Utility Services

Commercial banks also perform the following miscellaneous functions:

- Providing lockers for the safe custody as jewellery, valueable documents, etc.

- Giving references about the financial position as customers.
- Providing information to a customer about the credit worthiness of other customers.
- Supplying various types of trade information useful to customers.
- Issuing letters of credit, pay orders, bank drafts, credit cards, traveller's cheques to customers.
- Underwriting issues of shares and debentures.
- Providing foreign exchange to importers and travellers going abroad.
- Advising customers on financial and investment matters.

FACTS ABOUT BANKING SYSTEM IN INDIA

- The first bank in India to be given an ISO Certification **–Canara Bank**
- The first bank in Northern India to get ISO 9002 certification for their selected branches **– Punjab and Sind Bank**
- The first Indian bank to have been started solely with Indian capital **–Punjab National Bank**
- The first among the private sector banks in Kerala to become a scheduled bank in 1946 under the RBI Act **–South Indian Bank**
- India's oldest, largest and most successful commercial bank, offering the widest possible range of domestic, international and NRI products and services, through its vast network in India and overseas **–State Bank of India**
- India's second largest private sector bank and is now the largest scheduled commercial bank in India **–The Federal Bank Limited**
- Bank which started as private shareholders banks, mostly Europeans shareholders **–Imperial Bank oflndia**
- The first Indian bank to open a branch outside India in London in 1946 and the first to open a branch in continental Europe at Paris in 1974 **–Bank of India, founded in 1906 in Mumbai**
- The oldest Public Sector Bank in India having branches all over India and serving the customers for the last 132 years. **–Allahabad Bank**
- The first Indian commercial bank which was wholly owned and managed by Indians **–Central Bank of India**
- Bank of India was founded in 1906 in Mumbai. It became the first Indian bank to open a branch outside India in London in 1946 and the first to open a branch in continental Europe at Paris in 1974.
- First bank established in India **–Bank of Hindustan in 1770**
- Second bank **–General Bank of India, 1786**
- Oldest bank in India originated in the Bank of Calcutta in June 1806 which was still in existence **–State Bank of India**
- State Bank of India merged with three banks namely Bank of Bengal, Bank of Bombay and Bank of Madras in 1921 to form the Imperial bank of India which was converted as State Bank oflndia
- Founder of Punjab National Bank is Lala Lajpat Rai
- Reserve bank oflndia (RBI) was instituted in 1935
- First governor of RBI **–Mr. Osborne Smith**
- First Indian Governor of RBI **–Mr. C D Deshmukh**
- First bank to introduce savings account in India **–Presidency Bank in 1833**
- First bank to introduce cheque system in India **–Bengal Bank in 1833**
- First bank to introduce internet banking **–ICICI bank**
- First bank to introduce mutual fund **–State Bank of India**
- First bank to introduce credit card in India- **–Central Bank of India**
- Which cards are known as plastic money **–Credit Cards**
- Open market operations are carried out by **–RBI**
- Capital market regulator is **–SEBI**
- Largest Commercial bank in India State Bank of India The International Bank for Reconstruction and Dev elopment (IBRD) is known as **–World Bank**
- India's First Financial Archive has been set up at **–Kolkata**
- CRR, SLR, Repo Rate, Reverse Repo rate are decide by RBI Savings banks interest rates, fixed deposit interest rates, Loan Rates etc. are decided by individual banks
- The bank which has launched Mobile Bank Accounts in association with Vodafone's m -paisa **–HDFC Bank**
- Minimum money transfer limit through RTGS **–2 Lakhs**
- Maximum money transfer limit through RTGS **–No Limit**
- Minimum & Maximum money transfer limit through NEFT **No Limit**
- NABARD was established in **– July, 1982**
- Largest Public sector bank in India **– SBI**
- Largest Private sector bank in India **– ICICI Bank**
- First Indian bank to open branch outside India i.e. London in 1946 : **Bank of India**
- First RRB named Prathama Grameen Bank was started by: **Syndicate Bank**

- First Bank to introduce ATM in India: HSBC in 1987, Mumbai The bank which approved loan of $500mn to help India improve Rail services **– Asian Development Bank**
- FDI limit for new banks – **49%**
- FDI limit for private banks **74%**

IMPORTANT COMMITTEES IN BANKING SECTOR

Anil Kaushal committee: to examine the recommendations made by the TRAI on pricing of Spectrum.

Arvind Mayaram Committee : for giving clear definitions to Foreign Direct Investment (FDI) and Foreign Institutional Investment (FII)

Arvind Mayaram Panel: report on the alleged irregularities at the National Spot Exchange Ltd (NSEL)

B. Sambamurthy: panel favours single mobile banking app on all SIMs. Panel recommended that customers should not be required to visit the bank branch for mobile number registration.

Bimal Jalan panel : to scrutinize applications for new bank licenses.

Damodran Committee: on improvement of customer services in banks

Deepak Mohanty Committee: on Data and Information Management in the Reserve Bank of lndia

Justice A.P. Shah committee: to head panel on road safety

K. M. Chandrasekhar committee: for rationalization of foreign investment norms

K. U.B. Rao: the idea of setting up Bullion Bank or Bullion Corporation of lndia

K. K. Mehrotra Committee: to inquire gas leakage in Bhilai Steel Plant.

Kirit Parikh panel: on fuel pricing has suggested that the diesel prices should be increased by Rs. 1-1.50 a litre every month as against the 45-50 paise monthly hike followed currently.

M.P. Bezbaruah: to suggest suitable remedial measures to address concerns regarding security of people from North East.

Mukul Mudgal member panel to probe IPL spot fixing

Nachiket Mor Committee: to permits NBFCs to as Business work Correspondents of banks.

P.J. Nayak: to review Governance of Boards of Banks in India The committee was constituted under the chairmanship-of P.J. Nayak. He is a former Chairman and CEO of Axis Bank.

Parthasarathi Shome: for Tax Administration Reform commission (TARC), Suggest a system to enforce better tax compliance

K.U.B. Rao Committee: recommended aligning gold import regulations

M. Narasimham Committee: on Banking Sector Reforms

Pulak Kumar Sinha Committee: to study the feasibility Aadhaar as an additional factor for authentication of card present transactions.

Suma Verma Committee: to update, and revise the Banking Ombudsman Scheme, 2006

Urjit Patel Committee: to examine the current monetary policy framework.

Vijay Kelkar Committee : was appointed by the Petroleum and Natural Gas Ministry to prepare a road map to make India self sufficient in oil and natural gas by 2030.

Vishnu Sahay Committee: look probe into the Muzaffarnagar communal violence.

MICRO, SMALL AND MEDIUM ENTERPRISES (MSME)

In accordance with the provision of MSMED Act, 2006. the Micro, small and Medium Enterprise are classified as follows :

1. **Manufacturing Enterprises :** The enterprise engaged in the manufacturing of goods pertaining to any industry specified in the first schedule to the indust ries (Development and regulation Act, 1951) or employing plant and machinery in the process of value addition to the final product having a distinct name or character or use. The manufacturing Enterprise is defined in terms of investment in Plant & Machinery.
2. **Service Enterprises:** The enterprise engaged in providing or rendering of services and are defined in terms of investment in equipment.

MANUFACTURING SECTOR

Enterprises	**Investment in Plant & Machinen**
Micro Enterprises	Does not exceed 25 lakhs
Small	Enterprises More than 25 lakhs but less than 5 crores
Medium Enterprises	More than 5 crores but less than lOcrores

SERVICE SECTOR

Enterprises	**Investments in equipment's**
Micro Enterprises	Less than 10 lakhs
Small Enterprises	More than 10 lakhs less than 2 crores
Medium Enterprises	More than 2 crores less than 5 crores

BANKING – LATEST TRENDS

REAL TIME GROSS SETTLEMENT (RTGS)

It is a funds transfer system under which transfer of funds takes place from one bank to another on a 'Real Time' and 'Gross' basis, settlement on 'Real Time' means there is no waiting period, in payment-transaction. The transaction is settled as soon as it is processed. 'Gross' settlement means the transaction is made on one to one basis.

Features of RTGS-

(i) The RTGS service is available to customers from 9:00 am to 3:00 pm on week days and from 9:00 am to 12:00 noon on Saturday.

(ii) This facility is provided only by Core Banking Solution (CBS) enabled bank branches.

(iii) The minimum amount in a RTGS transaction is ₹two lacs.

(iv) The receiving bank must credit the customer's account within two hours of receiving the funds transfer method.

• NATIONAL ELECTRONIC FUNDS TRANSFER (NEFT)

It is an online system for transferring funds in which transfer of money takes place from one bank to another on net basis.

Important points about NEFT-

(i) NEFT functions on net settlement basis,

(ii) Full information regarding the receiver's name, bank account number, account type (savings or current), bank name, city, branch name, etc. has to be furnished to the bank at the time of requesting for such transfers.

(iii) There is no minimum or maximum limit on the transactions of NEFT. For using NEFT, an eleven digit Indian Financial System (IFS) code is used.

(iv) Fund transfer normally takes place on the same day or at the most the next working day.

(v) The banks generally charge some processing charges for NEFT.

(vi) This facility is available at around 18,500 branches.

• BANK DRAFT

Bank draft is an order issued by a bank on any branch of the same bank to pay the specified amount to the person named in it. It is always payable on demand. It is also known as 'Demand Draft' or 'Banker's Draft'.

• BANKER'S CHEQUE

It refers to that bank draft which is payable within the town. It is also known as 'Pay Order'.

• ELECTRONIC BANKING OR E-BANKING

Electronic Banking is a service provided by many banks, in which a customer is allowed to conduct banking transactions over the internet using a personal computer, mobile telephone hand held computer e-Banking offers the following range of services:

(i) Electronic Funds Transfer which has been discussed under RTGS & NEFT.

(ii) Automated Teller Machines (ATM)
ATM is a self-service terminal that provides the customers of banks the facilities of withdrawing cash, making deposits, transferring funds, paying bills, obtaining bank statements, etc.
The customer inserts his plastic card (Debit Card) into the terminal and then enters Personal Identification Number (PIN) perform banking operations.

(ii) Debit Cards-
Debit card is an electronic plastic card issued by a bank to its customers for withdrawing cash or making payment electronically.
The maximum limit of withdrawal is the bank account balance of the customer.

(iv) Point-of-Sale Terminals-
A Point-of-Sale (POS) terminal is located in the shop/store. It is tied electronically to a bank computer. When a customer presents his debit card, the terminal automatically transfers money from the customer's account to the seller's account.

(v) Credit Cards-
It is a plastic card issued by a bank to its customers, containing name, photo and signatures of the customer and the name of the Bank. The customer can buy goods and services at specified outlets by showing his credit card upto the credit limit fixed by the bank, which depends on the credit-worthiness of the customer.

(vi) Internet Banking-
It refers to the banking services provided by the banks over the internet. The common internet banking services offered by banks are:

- **Transactional Activities** like funds transfers, bill payments, loan applications, etc.
- **Non-transactional activities** like request for cheque book, stop payment, on line statements, undating contact information, etc.

(vii) Mobile Banking-
Now-a-days, we can also use internet banking on our mobile phones using a w-fi or a 3G connection. Mobile banking allows customers of banks to perform banking transactions through a mobile device.

POLICY RATES AND RESERVE RATIOS

- **Bank Rate:** RBI lends to the commercial banks through its discount window to help the banks meet depositor's demands and reserve requirements. The interest rate the RBI charges the banks for this purpose is called bank rate. If the RBI wants to increase the liquidity and money supply in the market, it will decrease the bank rate and if it wants to reduce the liquidity and money supply in the system, it will increase the bank rate.
- **Cash Reserve Ratio (CRR):** Every commercial bank has to keep certain minimum cash reserves with RBI. RBI can vary this rate between 3% and 15%. RBI uses this tool to increase or decrease the reserve requirement depending on whether it wants to affect a decrease or an increase in the money supply. An increase in Cash Reserve Ratio i CRR ? will make it mandatory on the part of the banks to hold a large proportion of their deposits in the form of deposits with the RBI. This will reduce the size of their deposits and they will lend less.This will in turn decrease the money supply.
- **Statutory Liquidity Ratio(SLR):** Apart from the CRR, banks are required to maintain liquid assets in the form of gold, cash and approved securities. Higher liquidity ratio forces commercial banks to maintain a larger proportion of their resources in liquid form and thus reduces their capacity to grant loans and advances, thus it is an anti-inflationary impact. A higher liquidity ratio diverts the bank funds from loans and advances to investment in government and approved securities.

BANKING TERM ABBREVIATIONS

ALCO	-	Asset Liability Committee
ALM	-	Asset Liability Management
ANBC	-	Adjusted Net Bank Credit
ASBA	-	Applications Supported Bank Accounts
BCSBI	-	Banking Codes and Standards Board of India
BOE	-	Bill of Exchange
CAR	-	Capital Adequacy Ratio
CARE	-	Credit Analysis and Research Limited
CASA	-	Current and Savings Accounts
CBLO	-	Collateralized Bank Lending Obligations

CCIL	-	Clearing Corporation of India Limited
CDRS	-	Corporate Debt Restructuring
CIBIL	-	Credit Information Bureau of India Limited
CRISIL	-	Credit Rating Information Services of India
CRR	-	Cash Reserve Ratio
DPG	-	Deferred Payment Guarantee
DPN	-	Demand Promissory Note
DRAT	-	Debt Recovery Appellate Tribunal
DRI	-	Differential Rate of Interest
DSCR	-	Debt Service Coverage Ratio
EDI	-	Electronic Data Interchange
EDP	-	Entrepreneurship Development Programme
EMI	-	Equated Monthly Instalments
EPS	-	Earning per Share
ESOP	-	Employee Stock Options
EXIM bank	-	Export and Import Bank of India
FCNR	-	Foreign Currency Non Resident Deposit Accounts
FEDAI	-	Foreign Exchange Dealers Association of India
FOB	-	Free On Board
ICRA	-	Investment Information and Credit Rating Agency oflndia Limited
IDRBT	-	Institute for Development and Research of Banking Technology
1EPF	-	Investors Education and Protection Fund
IPO	-	Initial Public Offer
IRDA	-	Insurance Regulatory and Development Authority of India
ISCI	-	International Standard Industrial Classification
KCC	-	Kisan Credit Card
KVIC	-	Khadi and Village Industries Corporation
KYC	-	Know Your Customer
LAB	-	Local Area Banks
LAMPS	-	Large Sized Adivasi Multipurpose Societies
LERMS	-	Liberalized Exchange Rate Management System
LIC	-	Life Insurance Corporation of India
MCA	-	Ministry Of Company Affairs
MICR	-	Magnetic Ink Character Recognition
MIS	-	Management Information System
NABARD	-	National Bank for Agriculture and Ru Development
NBFC	-	Non Banking Finance Companies
NEFT	-	National Electronic Fund Transfer
NPA	-	Non Performing Assets
NPV	-	Net Present Value
NRE	-	Non Resident External Account
NRI	-	Non Resident Indian
NSE	-	National Stock Exchange
OCB	-	Overseas Corporate Bodies
OMO	-	Open Market Operations
OTCEI	-	Over the Counter Exchange Of India
PACS	-	Primary Agricultural Credit Societies
PDO	-	Public Debt Office
PIN	-	Personal Identification Number
POA	-	Power of Attorney
OLTAS	-	Online Tax Accounting System
QIB	-	Qualified Institutional Bankers
QIB	-	Qualified Institutional Buyers
RBI	-	Reserve Bank of India
RDBMS	-	Relational Database Management System
REC	-	Rural Electrification Corporation
RFC	-	Resident Foreign Currency
RIDF	-	Rural Infrastructure Development Fund
RRB	-	Regional Rural Bank
RTGS	-	Real Time Gross Settlement
SWA	-	Risk Weighted Assets
SBI	-	State Bank oflndia
SCB	-	Scheduled Commercial Bank
SDR	-	Special Drawing Rights
SEBI	-	Securities and Exchange Board of India
SFMS	-	Structured Financial Messaging Services
SHG	-	Self Help Group
SIDBI	-	Small Industries Development Bank of India
SIDC	-	State Industrial Development Corporation
SISRY	-	Swarna Jayanthi Shahari Rozgar Yojana
SLR	-	Statutory' Liquidity Ratio
SLRS	-	Scheme for Liberation and Rehabilitation of Scavengers
SME	-	Small and Medium Industries
SMERA	-	SME Rating Agency of India Limited
SSI		Small Scale Industries
SSSBE	-	Small Scale Service and Business Enterprises
UTI	-	Unit Trust of India
WPI	-	Wholesale Price Index
YTM	-	Yield To Maturity