Fresher Learning Program

Overview of Banking

What is a Bank

A bank is a financial institution licensed to receive deposits and make loans. Banks may also provide financial services such as wealth management, currency exchange, and safe deposit boxes. There are several different kinds of banks including retail banks, commercial or corporate banks, and investment banks. In most countries, banks are regulated by the national government or central bank.

Banks are a very important part of the economy because they provide vital services for both consumers and business. As financial services providers, they give you a safe place to store your cash. Through a variety of account types such as checking and savings accounts, and certificates of deposit (CDs), you can conduct routine banking transactions like deposits, withdrawals, check writing, and bill payments. You can also save your money and earn interest on your investment.

Types of Banks

1. **Retail Banking**

Retail banks deal specifically with retail consumers, though some global financial services companies contain both retail and commercial banking divisions. These banks offer services to the general public and are also called personal or general banking institutions. Retail banks provide services such as checking and savings accounts, loan and mortgage services, financing for automobiles, and short-term loans like overdraft protection.

Many larger retail banks also offer credit card services to their customers, and may also supply their clients with foreign currency exchange. Larger retail banks also often cater to high-net-worth individuals, giving them specialty services such as private banking and wealth management.

Types of Banks

2. Corporate Banking

Commercial or corporate banks provide specialty services to their business clients from small business owners to large, corporate entities. Along with day-to-day business banking, these banks also provide their clients with other things such as credit services, cash management, commercial real estate services, employer services, and trade finance.

3. **Investment Banks**

Investment banks focus on providing corporate clients with complex services and financial transactions such as underwriting and assisting with merger and acquisition (M&A) activity. As such, they are known primarily as financial intermediaries in most of these transactions. Clients commonly range from large corporations, other financial institutions, pension funds, governments, and hedge funds. Morgan Stanley and Goldman Sachs are examples of U.S. investment banks.

Reserve Bank of India (RBI)

The **Reserve Bank of India** (**RBI**) is India's central bank and regulatory body under the jurisdiction of Ministry of Finance, Government of India. It is responsible for the issue and supply of the Indian rupee and the regulation of the Indian banking system. It also manages the country's main payment systems and works to promote its economic development.

The preamble of the Reserve Bank of India describes the basic functions of the reserve bank as:

"to regulate the issue of Bank notes and keeping of reserves with a view to securing monetary stability in India and generally to operate the currency and credit system of the country to its advantage; to have a modern monetary policy framework to meet the challenge of an increasingly complex economy, to maintain price stability while keeping in mind the objective of growth."

Reserve Bank of India (RBI)

Major functions of RBI are as follows:

1. **Issue of Bank Notes**

The Reserve Bank of India has the sole right to issue currency notes. Currency notes issued by the Reserve Bank are declared unlimited legal tender throughout the country. This concentration of notes issue function with the Reserve Bank has a number of advantages:

(i) It brings uniformity in notes issue;
(ii) It makes possible effective state supervision;
(iii) It is easier to control and regulate credit in accordance with the requirements in the economy; and
(iv) It keeps faith of the public in the paper currency.

Reserve Bank of India (RBI)

2. **Banker to Government**

As banker to the government the Reserve Bank manages the banking needs of the government. It has to-maintain and operate the government’s deposit accounts. It collects receipts of funds and makes payments on behalf of the government. It represents the Government of India as the member of the IMF and the World Bank.

3. **Custodian of Cash Reserves of Commercial Banks**

The commercial banks hold deposits in the Reserve Bank and the latter has the custody of the cash reserves of the commercial banks.

Reserve Bank of India (RBI)

4. **Custodian of Country's Foreign Currency Reserves**

The Reserve Bank has the custody of the country's reserves of international currency, and this enables the Reserve Bank to deal with crisis connected with adverse balance of payments position.

5. **Lender of Last Resort**

The commercial banks approach the Reserve Bank in times of emergency to tide over financial difficulties, and the Reserve bank comes to their rescue though it might charge a higher rate of interest.

a) Central Clearance and Account Settlement
b) Controller of Credit

6. **Central Clearance and Account Settlement**

Since commercial banks have their surplus cash reserves deposited in the Reserve Bank, it is easier to deal with each other and settle the claim of each on the other through book keeping entries in the books of the Reserve Bank. The clearing of accounts has now become an essential function of the Reserve Bank.

7. Controller of Credit

Since credit money forms the most important part of supply of money, and since the supply of money has important implications for economic stability, the importance of control of credit becomes obvious. Credit is controlled by the Reserve Bank in accordance with the economic priorities of the government.

Reserve / Central Bank in Other Countries

Country	Name of Central Bank
Qatar	Qatar Central Bank
Saudi Arabia	Saudi Arabian Monetary Agency
United Arab Emirates	UAE Central Bank
United Kingdom	Bank of England
United States of America	Federal Reserve System

Banking Scenario in India

Legal and Regulatory provisions

- Key laws to control and regulate banking in India -
- The Reserve Bank of India (RBI) Act, 1934 – Empowers RBI, the central bank of India, to control and regulate the banking business
- Banking Regulations Act 1949 – Defines the business of banking, its rules and regulations
- Negotiable Instruments Act 1881 – Rules to deal with negotiable instruments - cheques, bills of exchange and promissory notes
- Bankers' Books Evidence Act 1891 – for record keeping of banking trnx
- Foreign Exchange Management Act 1999 – Foreign exchange to facilitate external trade and payments, investment avenues for NRIs and foreign direct investment in India
- "Payment and Settlement System Act 2002 - Provides for regulation and supervision of payment systems in India"

Core Banking System

Core Banking solutions are vital to the day-to-day functioning of any bank. It is an integral part of the banking technology which aims to serve their clients and customer with the best services. In simple words, core banking solutions are account-management back-end and front-end processes.

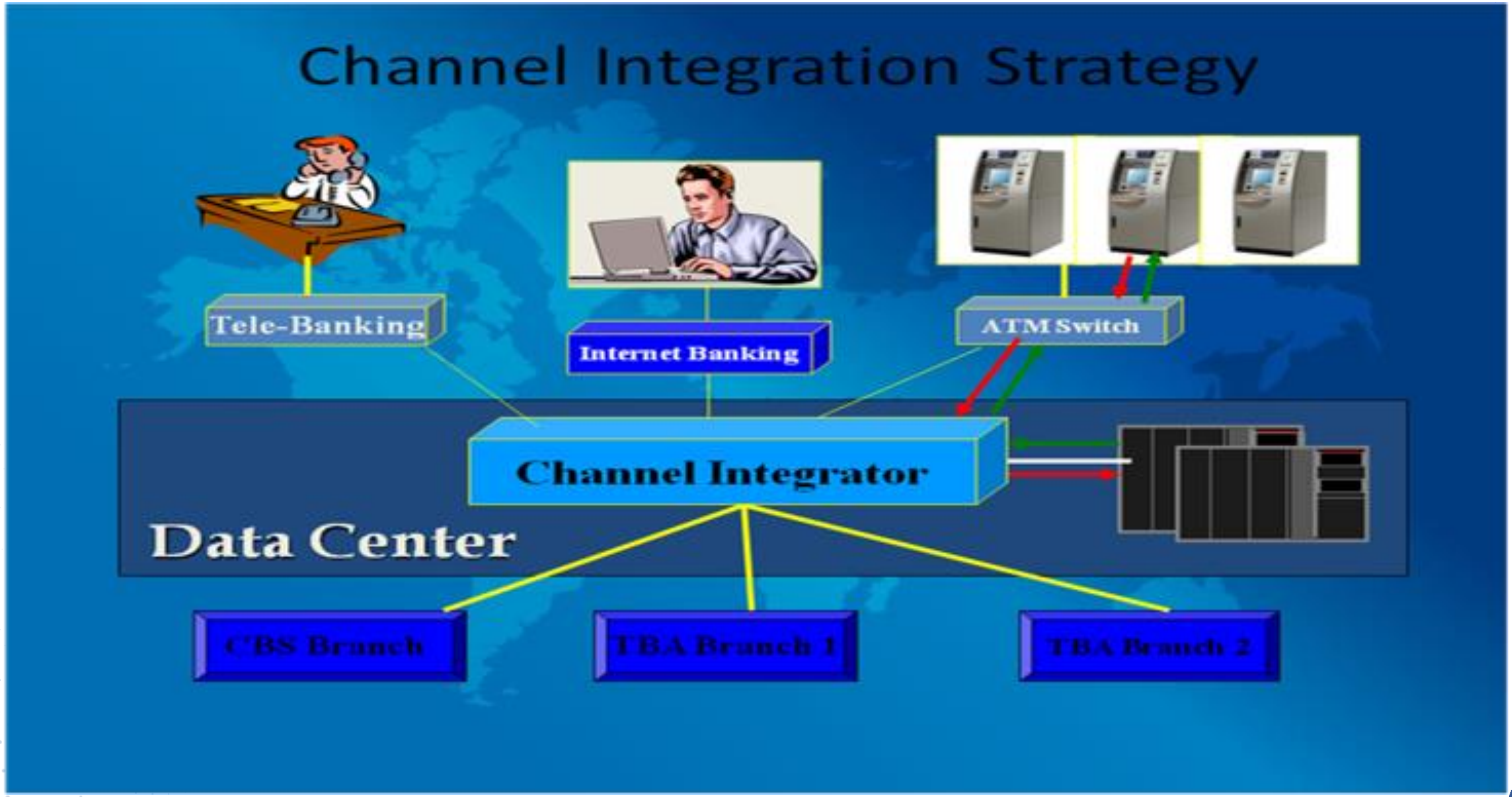
Core is short for “Centralized Online Real-time Exchange.” As the name suggests, it is a centralized system or a network created by a bank and its branches. This allows the customers of the bank to access, manage and perform basic transactions from any branch of the bank they hold an account in. Thus, core banking software allows the banks to create a centralized data center.

Some of the basic core banking solutions include deposit accounts, loans, payments and more. With the help of core banking software, these services are made available to the bank’s customers through ATMs, internet banking, mobile banking, and brick and mortar bank branches. Core banking system uses Information Communication Technology as a platform for its various applications to simplify banking procedures and processes.

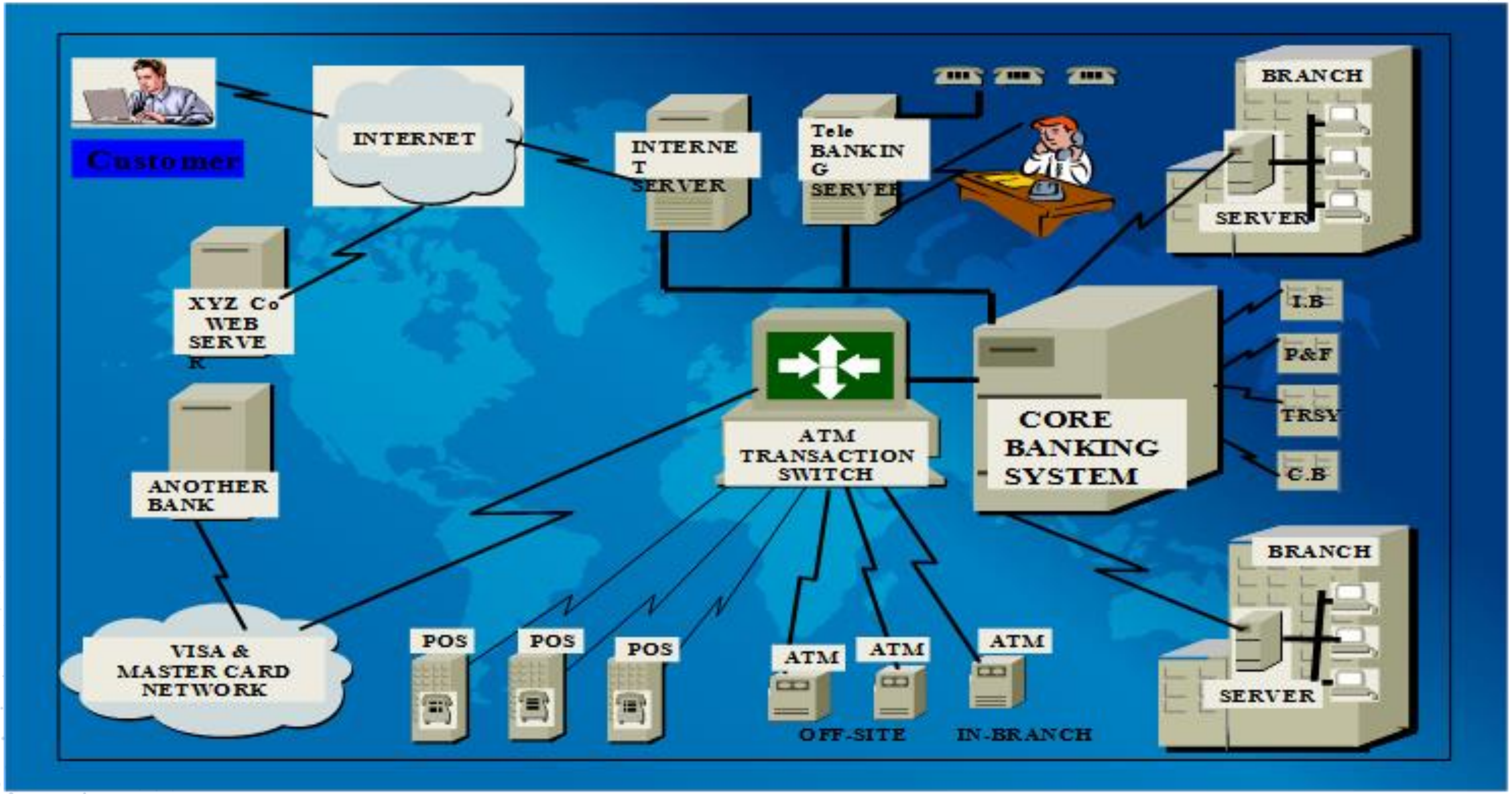
Key Factors of Core Banking System

- Customer of the bank across all branches
- Real time on-line 24 hours banking through branch, ATM, Internet, Mobile & Merchant Establishments
- Centralized operations, moving out processing tasks from branches
- Instant availability of account information to customer
- Instant and accurate availability of MIS to management
- Reduced need for system related skills at branches
- Uniform delivery of service to customer experience across the bank
- Enhanced services and products to customers
- More time to management and branch staff for sales and customer service
- Improved monitoring of credit – reduced NPA
- Improved control on transactions – better housekeeping

Core Banking Software Companies



Channel Integration Strategy
Tele-Banking
Internet Banking
ATM Switch
Channel Integrator
Data Center
CBS Branch
TBA Branch 1
TBA Branch 2



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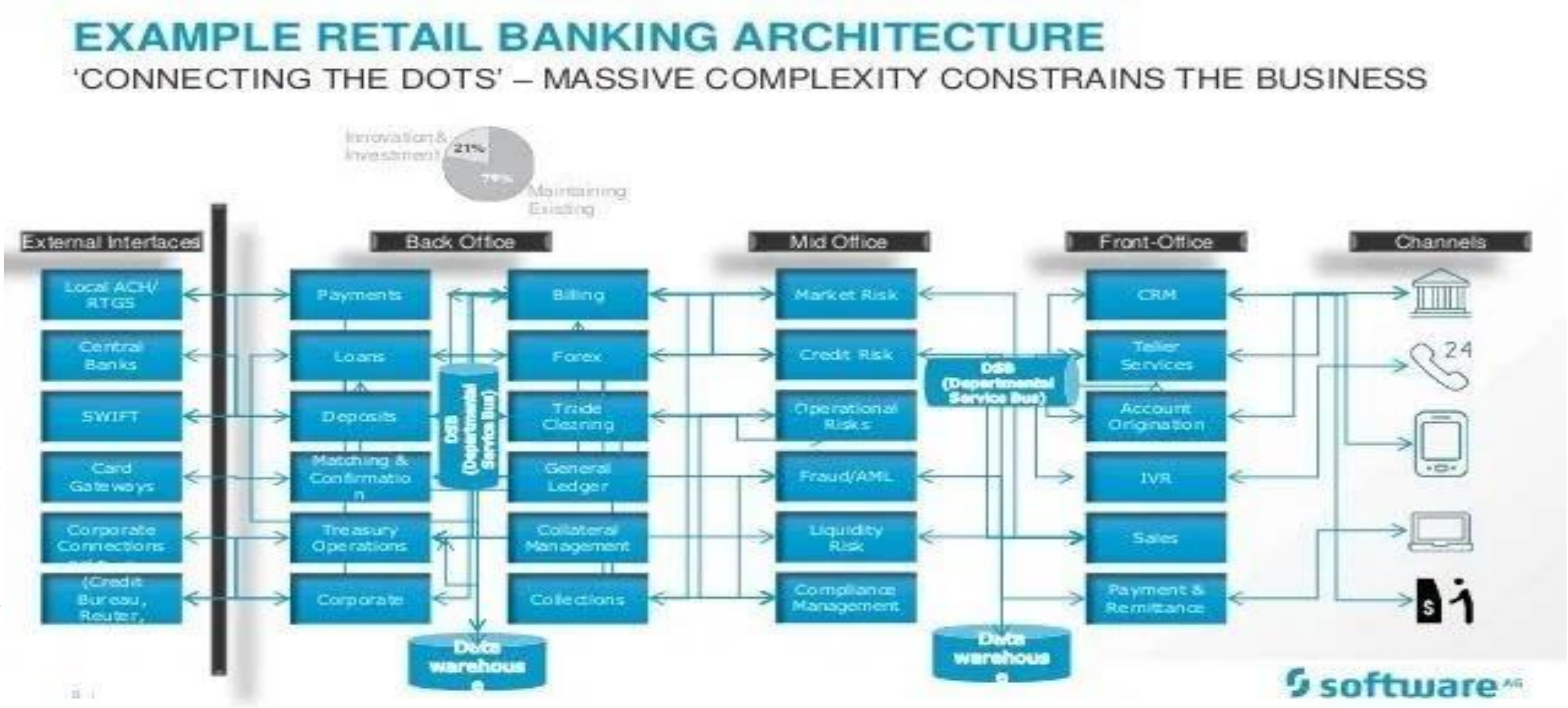

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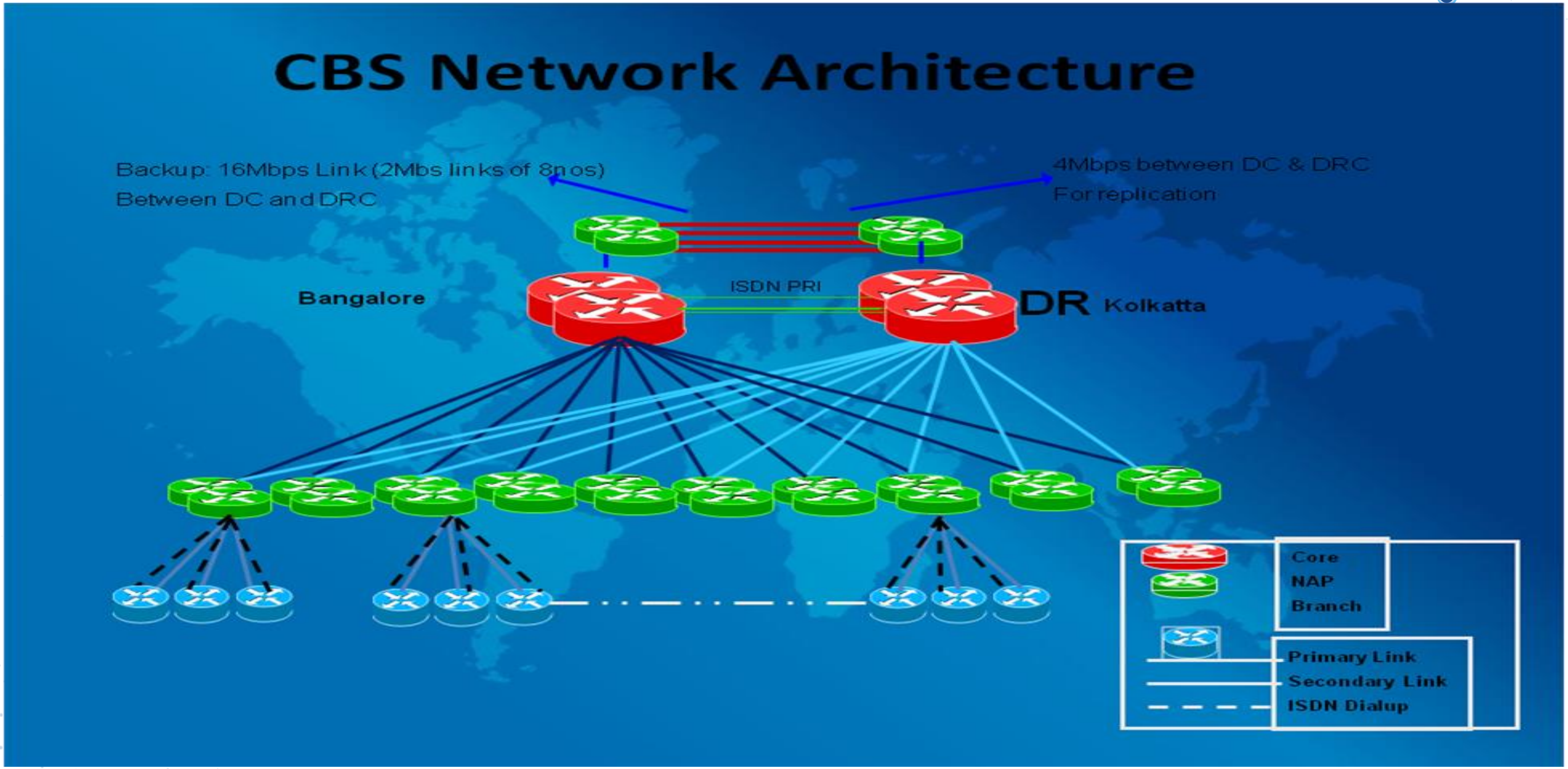
CBS Network Architecture
Backup: 16Mbps Link (2Mbs links of 8nos)
Between DC and DRC
4Mbps between DC & DRC
For replication
Bangalore
ISDN PRI
DR
Kolkatta
Core
NAP
Branch
Primary Link
Secondary Link
ISDN Dialup

Automated Teller Machine

An automated teller machine (ATM) is an electronic banking outlet that allows customers to complete basic transactions without the aid of a branch representative or teller. Anyone with a credit card or debit card can access cash at most ATMs.

ATMs are convenient, allowing consumers to perform quick self-service transactions such as deposits, cash withdrawals, bill payments, and transfers between accounts. Fees are commonly charged for cash withdrawals by the bank where the account is located, by the operator of the ATM, or by both. Some or all of these fees can be avoided by using an ATM operated directly by the bank that holds the account.

Features of Automated Teller Machine (ATM)

- Cash Withdrawal
- Cash Deposit to Account
- Cheque Deposit
- Balance Enquiry
- Mini Statement
- Credit Card Payment
- Utility Payments
- Cheque Book request
- Pin Change

Phone Banking

Telephone banking is a service provided by a **bank** or other financial institution, that enables customers to perform over the **telephone** a range of financial transactions which do not involve cash or Financial instruments (such as cheques), without the need to visit a **bank** branch or ATM.

Interactive Voice Response (IVR) is an automated phone system technology that allows incoming callers to access information via a voice response system of pre recorded messages without having to speak to an agent, as well as to utilize menu options via touch tone keypad selection or speech recognition to have their call routed to specific departments or specialists.

Features of Phone Banking

- Account Related Information
  - Account Balance
  - Account Transactions
  - Credit Card Transactions
- Cheque Book Request
- Stop Payment of Cheque
- Credit Card balance enquiry
- Blocking of Debit/ Credit Card
- Transfer of Funds

Debit Card

A **debit card** (also known as a **bank card**, **plastic card** or **check card**) is a plastic payment card that can be used instead of cash when making purchases. It is similar to a credit card, but unlike a credit card, the money is immediately transferred directly from the cardholder's bank account to pay for the transaction.

Debit cards usually also allow instant withdrawal of cash, acting as an ATM card or this purpose. Merchants may also offer cashback facilities to customers, so that a customer can withdraw cash along with their purchase. There are usually daily limits on the amount of cash that can be withdrawn.

Internet purchases can be authenticated by the consumer entering their PIN if the merchant has enabled a secure online PIN pad, in which case the transaction is conducted in debit mode.

Debit Card

Debit Card Number

The 16-digit number (often grouped into four's) found on the front of your debit card is known as the **Card number**. This number is also known as your Card Identification number and it is also stored in your card's magnetic chip/strip so that whenever you use your card at a POS or an ATM terminal, the card number is read by the machine.

Card Verification Value

CVV is the abbreviated form for Card Verification Value. CVV is a three-digit number that is always located on the rear of your card. It is often written in bold italics and is mostly required to complete online transactions like shopping, paying bills and subscriptions, etc. CVV is a security and fraud-prevention measure put in place to further ensure that you are truly the owner of the card you use in transacting online. Generally, CVV numbers are requested for when you aren't using the physical debit card.

Expiry Date of Debit Card

Expiration or Expiry Date is another important component of a debit card. Generally, expiration date is often written on a card as two-digits (representing the month) followed by another two-digit (representing the year) separated by a hyphen (-) of a forward slash (/).

Expiration date refers to the date which a card will no longer be valid to be used for transactions. Beyond this date, a debit card will cease to be valid for any type of transactions you want to use it to perform. Before a debit card expires though, the issuing institution would have alerted the holder and prepared a new card. The new card will come with new details: new 16-digits debit card number, new CVV, and of course, new expiration date.

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