Unit – 1

Topic 3: Reserve Bank of India (RBI)

- **Introduction**
  The Reserve Bank of India (RBI) is the **central bank** of India. It was established on **1st April 1935** and was **nationalized in 1949**.
- ### Functions of RBI
  - **Monetary Authority** – Controls money supply and inflation
  - **Banker to Government** – Manages government accounts and transactions
  - **Banker's Bank** – Lends money to other banks
  - **Currency Issuer** – Issues paper currency in India
  - **Foreign Exchange Manager** – Manages foreign currency and promotes trade
  - **Regulator of Banks** – Controls and supervises banking operations
  - **Development Role** – Promotes financial inclusion
- ### Example
  RBI controls inflation by increasing or decreasing the repo rate.
- **Difference Between Scheduled and Non-Scheduled Banks**

Basis	Scheduled Banks	Non-Scheduled Banks
Regulation	Under RBI Schedule II	Not in Schedule II
Borrow from RBI	Yes	Only in emergency
CRR	Must maintain	Not required

Basis	Scheduled Banks	Non-Scheduled Banks
Clearing House	Member	Not eligible
Risk	Less risky	More risky

🟩 Topic 5: Types of Banks in India

The Indian banking system is mainly divided into the following types:

1. Commercial Banks

These banks work to earn profit and provide services to individuals and businesses.

Examples: SBI, HDFC, ICICI, PNB, Axis Bank Types

of Commercial Banks:

- **Public Sector Banks** – Government holds more than 50% share
  ✓ Examples: SBI, Bank of Baroda, Punjab National Bank
- **Private Sector Banks** – Owned by private companies or individuals
  ✓ Examples: HDFC Bank, ICICI Bank, Axis Bank
- **Foreign Banks** – Head office outside India but branches in India
  ✓ Examples: Citibank, HSBC, Standard Chartered
- **Regional Rural Banks (RRBs)** – Provide banking in rural areas
  ✓ Example: Saurashtra Gramin Bank
- **Small Finance Banks** – Provide finance to small businesses and farmers
  ✓ Example: AU Small Finance Bank, Jana Small Finance Bank
- **Payments Banks** – Provide small banking services but cannot give loans
  ✓ Example: India Post Payments Bank, Paytm Payments Bank

2. Co-operative Banks

These banks are owned and operated by their members. They work mainly in rural and semi-urban areas to support farmers and small businesses.
✓ Example: Rajkot Nagrik Sahakari Bank

3. Development Banks

These banks provide **long-term loans** for the development of industries and agriculture.
✓ Examples:

- NABARD – Agriculture and Rural Development
- SIDBI – Small Industries
- EXIM Bank – Export and Import
- IFCI – Industrial Finance

4. Non-Banking Financial Companies (NBFCs)

These companies provide loans and finance services but are **not full banks**.
✓ Examples: Bajaj Finance, Shriram Transport Finance, Muthoot Finance

🟩 Topic 6: Functions of Commercial Banks

Commercial banks perform various functions to serve customers and support economic activities.

1. Primary Functions

- **Accepting Deposits** – Banks accept deposits from the public in forms like Savings Account, Current Account, Fixed Deposit (FD), and Recurring Deposit (RD).
- **Providing Loans and Advances** – Banks give loans for personal, business, agriculture, education, home etc. They also provide overdrafts and cash credit facilities.

2. Secondary Functions

These are services provided for convenience of customers:

- **Fund Transfer** – Transfer of money using cheque, NEFT, RTGS, IMPS.
- **Collection of Cheques and Bills** – Banks collect cheques, dividends, rents on behalf of customers.
- **Foreign Exchange Services** – Helps in foreign currency exchange for trade and travel.
- **Safe Custody** – Provides lockers to keep jewellery and valuables safe.
- **ATM & Card Services** – Offers debit card, credit card and ATM services.

- **Investment Services** – Helps customers invest in mutual funds, government bonds etc.

🟩 Topic 7: Types of Bank Accounts

Banks offer different types of accounts to meet the needs of different customers. The main types are:

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1. Savings Account

- Opened by individuals to save money safely.
- Provides interest on deposits (2% to 6% per year depending on bank).
- Limited withdrawals per month.
- ATM card, cheque book and online banking facilities available.

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2. Current Account

- Used by businesses, companies, and traders.
- No limit on number of transactions.
- No interest is given on deposited money.
- Overdraft facility is available (withdraw more than the balance).

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3. Fixed Deposit (FD) Account

- Money is deposited for a fixed period (7 days to 10 years).
- Higher rate of interest compared to savings account.
- No withdrawals allowed before maturity (penalty applies if withdrawn early).
- Safe way to invest.

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4. Recurring Deposit (RD) Account

- Fixed amount is deposited every month.

- Useful for salaried people to save regularly.
- Interest is given on total amount.
- RD period ranges from 6 months to 10 years.

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5. Salary Account

- For employees to receive monthly salary.
- Linked with company and bank partnership.
- Zero minimum balance facility.
- Comes with ATM/debit card.

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6. NRI Accounts

- For Non-Resident Indians.
  - **NRE Account** – For income earned outside India.
  - **NRO Account** – For income earned in India.
  - **FCNR Account** – Fixed deposit in foreign currency.

🟩 **Topic 8: Cheque**

- A cheque is a written order given by an account holder to a bank to pay a specific amount to a person or party.
- It is used to transfer money from one bank account to another.
- Parties of a cheque:
  - **Drawer** – Person who writes the cheque
  - **Drawee** – Bank
  - **Payee** – Person who receives payment
- Valid for **3 months** from date of issue.
- Can be encashed or deposited in bank.
- Important elements – Date, Amount, Signature, Cheque Number, IFSC, MICR.

Types of Cheques

- **Bearer Cheque** – Paid to the person holding the cheque.
- **Order Cheque** – Paid only to the person whose name is written.
- **Crossed Cheque** – Cannot be cashed; must be deposited in bank.
- **Post-Dated Cheque** – Future date cheque.
- **Stale Cheque** – Older than 3 months (invalid).
- **Dishonoured Cheque** – Bounced cheque (insufficient funds or signature mismatch).

9. Discuss important aspects related to Debit card, Forex card and Credit card.

1. Debit Card

A **debit card** is linked to a **customer's bank account**. When used, money is **directly deducted** from the bank balance.

Important Aspects:

- **Direct Payment** – Amount is deducted immediately from savings/current account.
- **ATM Withdrawal** – Can withdraw cash anytime from ATM.
- **No Credit Facility** – Cannot spend more than account balance.
- **Secure Payment** – Requires PIN or OTP for transactions.
- **Issued by Banks** – Like SBI, HDFC, ICICI, etc.
- **Daily Limits** – Limit on ATM withdrawal and purchase transactions.

Example: Using SBI ATM card to pay ₹2,000 at a shop.

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2. Forex Card

A **Forex card** (Foreign Exchange Card) is a **prepaid travel card** used by travelers going abroad. It is loaded with **foreign currency** like USD, EUR, GBP, etc.

Important Aspects:

- **Best for International Travel**
- **Prepaid Card** – Load foreign currency in advance.
- **Protection from Currency Fluctuation**
- **Widely Accepted** – Can be used at ATMs and shops abroad.

- **Safer Than Cash**
- **Reloadable** – Can add more money anytime.

- **Issued by** – Banks and money exchange companies like HDFC Forex, Axis Bank, Thomas Cook.

🟩 *Example:* Loading $1000 on an Axis Bank Forex Card for a USA trip.

🟩 3. Credit Card

A **credit card** allows users to **borrow money from the bank** to make purchases and pay later within **a due date**.

Important Aspects:

- **Buy Now – Pay Later Facility**
- **Credit Limit** provided based on income and CIBIL score.
- **Interest Free Period** — 30 to 45 days.
- **High Interest on Late Payment**
- **Useful for Emergencies**
- **Improves CIBIL Score** if used properly.
- **Reward Points, Cashback, Offers** available.

🟩 *Example:* Using HDFC Credit Card to pay ₹10,000 and pay later next month.

11. What is NPA? Explain classification of assets under NPA?

🟩 Meaning of NPA (Non-Performing Asset)

NPA stands for **Non-Performing Asset**.
When a borrower takes a loan from a bank but **fails to pay EMI or interest for 90 days (3 months)**, that loan becomes an **NPA**.
In simple words, **a loan on which no payment is received for 90 days is called a Non-Performing Asset**.

Banks earn income through interest on loans. When loans become NPAs, banks **face loss** and **financial risk increases**.

🟩 Classification of Assets under NPA

The Reserve Bank of India (RBI) has classified NPAs into **four categories** based on the period for which the loan amount remains unpaid:

Type of Asset	Meaning	Overdue Period
Standard Asset	Normal loan with regular payment	No default
Sub-Standard Asset	Loan unpaid for more than 90 days	Up to 12 months
Doubtful Asset	Loan unpaid for more than 12 months after becoming sub-standard	More than 12 months
Loss Asset	Loan identified as loss; not recoverable	Bank considers it bad loan

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Explanation of Each NPA Category

- **1. Standard Asset**
  A performing loan where the borrower is paying EMI on time. There is **no risk** for the bank.
- **2. Sub-Standard Asset**
  A loan becomes a sub-standard asset **after 90 days of non-payment**. It has **high risk** but still **recoverable**.
- **3. Doubtful Asset**
  When a loan stays sub-standard for **more than 12 months**, it becomes a doubtful asset. There is **very low chance of recovery**.
- **4. Loss Asset**
  These are **bad loans** identified by RBI or bank auditors. The **bank considers them unrecoverable** and writes them off from its books.

Example of NPA

If Mr. Raj takes a home loan and stops paying EMI from April, May, and June, then after **90 days**, the loan becomes **NPA (Sub-Standard Asset)**.

12. Explain all major factors affecting CIBIL Score and suggest how to improve CIBIL Score.

🟩 Meaning of CIBIL Score

CIBIL Score is a **3-digit number between 300 to 900** that shows the **creditworthiness** of a person. It helps banks decide whether to give a loan or credit card to a person.
A score above **750** is considered **good**.

🟩 Major Factors Affecting CIBIL Score

1. **Payment History**
   - Most important factor.
   - Late EMI payments, cheque bounce, or loan default **reduce score**.
   - On-time payments **increase score**.
2. **Credit Utilization Ratio**
   - Using more than 30–40% of your credit card limit affects score.
   - Example: If limit is ₹1,00,000 and you use ₹80,000 often → **score decreases**.
3. **Number of Loans and Credit Cards**
   - Too many loans or credit cards show **credit dependency**.
   - Applying for many loans frequently affects your score negatively.
4. **Credit Mix**
   - Better to have a **mix of secured loans** (home/car loan) and **unsecured loans** (personal loan/credit card).
   - Only unsecured loans reduce score.
5. **Multiple Loan Enquiries (Hard Inquiries)**
   - When you apply for many loans at once, banks check your credit report.
   - Too many checks (hard inquiries) **reduce CIBIL score**.

6. **Loan Settlement or Write-Off**
   - If you settle a loan by paying only part of the amount, it is marked as "Settled" or "Written off".
   - This **badly impacts score**.
7. **High Outstanding Balance**
   - If you carry unpaid balances for a long time, CIBIL score **goes down**.

🟩 How to Improve CIBIL Score

1. **Pay EMIs and Credit Card Bills on Time**
   - Avoid late payments or defaults.
   - Set auto-payment reminders.
2. **Keep Credit Card Utilization Below 30%**
   - Spend less than your total credit limit.
3. **Avoid Multiple Loan Applications**
   - Apply for loans **only when necessary**.
4. **Maintain a Good Credit Mix**
   - Keep both secured and unsecured loans in balance.
5. **Check CIBIL Report Regularly**
   - Correct errors by raising a dispute in CIBIL.
6. **Do Not Close Old Credit Accounts**
   - Old accounts increase your credit history and improve the score.
7. **Do Not Take Loan Settlements**
   - Pay full loan amount instead of settlement to avoid negative marking.

Unit – 2

1. Role of Insurance

- **Provides Financial Security**

  Insurance gives financial protection against risks like accident, death, theft, fire and illness.

- Encourages Savings

  Life insurance policies also work as long-term savings and investment tools.

- Supports Business and Trade

  Businesses get insurance for factories, machines, goods etc. This protects them from sudden losses.

- Promotes Economic Growth

  Insurance companies collect large funds as premium and invest them in national development like roads, railways, power projects.

- Reduces Tension and Builds Confidence

  People and businesses feel safe and secure as insurance supports them during emergencies.

2.Discuss the Duties, Powers and Functions of IRDAI.

🟩 Introduction

IRDAI stands for **Insurance Regulatory and Development Authority of India**. It is the **regulator of the insurance sector in India**. It was established in **1999** under the IRDA Act, 1999. Its **head office is in Hyderabad**. IRDAI ensures **growth, regulation, and protection** in insurance.

🟩 Duties of IRDAI

The main duties of IRDAI are:

1. **Protect Policyholders**
   - Ensure fair claim settlement
   - Prevent frauds and unfair practices
2. **Regulate Insurance Companies**
   - Issue license to insurers
   - Monitor their activities and performance

3. **Promote Insurance Industry**
    - Encourage growth of life and general insurance
    - Support rural and social insurance schemes
4. **Ensure Financial Stability**
    - Make sure insurance companies are financially strong
    - Avoid company failure

🟩 Powers of IRDAI

IRDAI has the authority to:

1. **Grant, Renew, Cancel License**
    - Can approve or cancel license of insurance companies, agents, brokers
2. **Control Premium Rates**
    - Can fix or regulate premium rates for certain policies
3. **Investigate and Audit**
    - Can inspect company accounts and records
    - Can take action against fraud or mismanagement
4. **Issue Regulations**
    - Can make rules for operation, investment, claim settlement
5. **Impose Penalties**
    - Can fine insurers or agents for breaking rules

🟩 Functions of IRDAI

1. **Regulation of Insurance Business**
    - Ensures companies follow the Insurance Act and IRDA guidelines
2. **Consumer Protection**
    - Redressal system through IGMS (Grievance Management System)
3. **Promotes Professionalism**
    - Sets training and qualification standards for insurance agents
4. **Encourages Competition**

    - Allows more insurance companies to enter the market

5. **Supervises Reinsurance**
    - Controls reinsurance activities to manage risk
6. **Promotes Insurance Awareness**
    - Conducts awareness programs to increase insurance penetration in India

3.Differentiate between Life Insurance and General Insurance.

Basis of Difference	Life Insurance	General Insurance
Meaning	Provides financial protection against risk of death of a person	Provides protection against loss or damage to assets like vehicle, house, health
Subject Matter	Human life	Assets / property / health
Policy Duration	Long-term policy (10–30 years)	Short-term policy (usually 1 year)
Claim Payment	Paid on death or maturity	Paid only when loss occurs
Premium Payment	Paid regularly for long term	Paid annually or short term
Investment Benefit	Has savings + investment component	No investment benefit
Examples	Term Plan, Endowment Plan, Money Back Plan, ULIP	Health Insurance, Motor Insurance, Fire Insurance, Travel Insurance
Insurable Interest	Must exist at the time of policy and claim	Must exist at the time of loss
Policy Value	Based on life cover amount selected	Based on market value of asset

Basis of Difference	Life Insurance	General Insurance
Nature of Contract	Contract of assurance (event certain – death)	Contract of indemnity (compensation for loss)

- Life insurance provides **financial protection to family** after the death of the policyholder.
- Premium can be paid monthly, quarterly, or yearly.
- Life Insurance Corporation (LIC) is India’s largest life insurer.

Types of Life Insurance

- **Term Insurance** – Pure life cover, low premium.
- **Whole Life Policy** – Covers entire life.
- **Endowment Policy** – Life cover + savings.
- **Money Back Policy** – Periodic payments + maturity benefit.
- **ULIP** – Insurance + market investment.
- **Child Plan** – For child education/marriage.
- **Pension/Retirement Plan** – Income after retirement.

Benefits of Life Insurance

- Financial security for family.
- Tax benefits under Section 80C.
- Loan facility available.
- Helps in long-term savings.

15. Describe various types of Life Insurance.

Life insurance provides financial protection to the policyholder's family in case of death. The major types are:

- **Term Insurance**
  - Pure life cover with **low premium**.
  - No maturity amount if policyholder survives.
  - Best for family protection.
- **Whole Life Policy**
  - Coverage for the **entire lifetime**.
  - Premium paid for a fixed period.
  - Money given to nominee after death.
- **Endowment Policy**
  - Life cover + **savings plan**.
  - Lump sum paid on death or maturity.
  - Suitable for long-term saving.
- **Money Back Policy**
  - Periodic payments before maturity.
  - Remaining sum + bonus paid at maturity.
  - Useful for people who need money at intervals.
- **Unit Linked Insurance Plan (ULIP)**

    - Combines insurance + **market investment**.
    - Returns depend on stock market.
    - Higher risk, higher return.
- **Child Insurance Plan**
    - Provides funds for child's education/marriage.
    - Payout made even if parent dies.
- **Pension / Retirement Plan**
    - Provides **regular income after retirement**.
    - Helps in financial security in old age.

17.Discuss various aspects related to Life Insurance such as Policy Premium, Policy Claim, Policy Lapsation, Revival, Nomination and Surrender of a Policy.

- **Policy Premium**
    - The amount paid by policyholder to keep the policy active.
    - Can be paid monthly, quarterly or yearly.
- **Policy Claim**
    - Request made by nominee to insurance company after death of policyholder.
    - Required documents: claim form, death certificate, policy copy, ID proof.
- **Policy Lapsation**
    - When premium is not paid within due date + grace period, policy **lapses** and benefits stop.
- **Revival of Policy**
    - Lapsed policy can be restored within **2 to 5 years** by paying pending premiums + penalty.
- **Nomination**
    - Nominee is a person selected by policyholder to receive claim amount after death.
    - Nomination can be changed anytime.
- **Surrender of Policy**

    - Policyholder can close the policy before maturity and receive **surrender value**.
    - Allowed only after paying minimum **3 years of premium** (in most plans).

18.Explain Motor Insurance and Travel Insurance in detail.

Motor Insurance

- Provides protection against **loss or damage to vehicles** due to accident, theft, fire or natural disasters.
- **Types:**

Third Party Insurance (Mandatory) – Covers damage to others.

    - **Own Damage Insurance** – Covers your vehicle damage.
    - **Comprehensive Policy** – Covers third party + own damage.
- **Benefits:**
    - Financial protection
    - Legal requirement
    - Personal accident cover

Travel Insurance

- Provides protection during **domestic or international travel** against emergencies.
- **Covers:**
    - Lost baggage
    - Passport loss
    - Flight delay or cancellation
    - Medical emergency abroad
- **Benefits:**
    - Safety during travel
    - Cashless hospitalization overseas
    - Emergency evacuation support

16. Explain Home Insurance, Personal Accident Insurance Policy, and Pradhan Mantri Suraksha Bima Yojana (PMSBY) in detail.

Home Insurance

- Protects house from **fire, theft, earthquake, flood** and other damages.
- Covers building and household items.
- Reduces financial loss due to disasters.

Personal Accident Insurance

- Offers coverage against **accidental death or disability**.
- Provides:
  - Death benefit
  - Permanent disability cover
  - Temporary income loss support
- Low premium and immediate protection.

Pradhan Mantri Suraksha Bima Yojana (PMSBY)

- Government accident insurance scheme.
- **Premium:** ₹20 per year.
- **Coverage:**
  - Death due to accident: ₹2,00,000
  - Permanent disability: ₹2,00,000
  - Partial disability: ₹1,00,000
- Age limit: **18 to 70 years**.
- Auto-debit from bank account.

17. What is Reinsurance? Explain importance, types and benefits of reinsurance.

- **Meaning**
  - Reinsurance is **insurance of insurance companies**.
  - Insurance companies transfer part of their risk to another insurance company to reduce loss.
- **Importance**

    - Helps insurers manage large risks
    - Improves financial stability
    - Prevents bankruptcy
    - Increases capacity to issue big policies
- **Types**
    - **Facultative Reinsurance** – For individual large risks.
    - **Treaty Reinsurance** – Agreement for a group of policies.
- **Benefits**
    - Risk sharing
    - Protects insurance companies
    - Supports business growth
    - Helps in claim settlement

Unit-3

🟩 Topic 5: Heads of Income (5 Heads)

Under the Income Tax Act 1961, income is divided into **five heads**:

No.	Head of Income	Meaning
1	Income from Salary	Salary received from employer
2	Income from House Property	Rent income from building/house
3	Profit & Gains of Business or Profession	Income from business or professional work
4	Capital Gains	Profit from selling capital assets (land, shares etc.)
5	Income from Other Sources	Income not covered in above heads

🟩 **Example:**

A person earns:

- Salary = ₹5,00,000
- House Rent = ₹1,20,000
- Business Profit = ₹50,000
- Profit on sale of land = ₹1,00,000
- Bank interest = ₹10,000

These will be taxed under 5 different heads.

1. Assessee

- A person who is **liable to pay tax** under the Income Tax Act.
- Includes:
  - Person who has to pay tax
  - Person who has refund due
  - Person who has defaulted in tax

27. Explain: Previous Year

- **Previous Year** is the **financial year in which income is earned** by a person. It always starts on **1st April** and ends on **31st March** of the next year.
  Income earned in the **Previous Year is taxed in the next Assessment Year**.

🟩 Example:
Income earned from **1 April 2023 to 31 March 2024** = **Previous Year 2023–24**

28. Explain: Assessment Year

- **Assessment Year (AY)** is the year in which the **income of the previous year is assessed and taxed**.
  In this year, the taxpayer files the return and pays income tax.

🟩 Example:
Income earned in **Previous Year 2023–24** is taxed in **Assessment Year 2024-25**.

1. Income

- Income means money earned by a person from **salary, rent, business, capital gain, interest, etc.**

32. Explain: Short Term Capital Gain (STCG)

Short Term Capital Gain is the **profit earned by selling a capital asset within a short period**.
If a capital asset is sold **within 36 months (or 3 years)** of purchase, the gain is treated as **Short Term Capital Gain**.
For **shares and securities**, the period is **12 months**.

🟩 Formula:
STCG = Selling Price – Purchase Price – Expenses

🟩 Example:
Buy shares for ₹50,000 and sell in 6 months for ₹70,000 → **STCG = ₹20,000**

33. Explain: Long Term Capital Gain (LTCG)

Long Term Capital Gain is **profit earned by selling a capital asset after holding it for a long period**.
If an asset is sold **after 36 months**, the gain is LTCG.
For **shares and securities**, the holding period is **more than 12 months**.

🟩 Example:
Buy land in 2018 for ₹5,00,000 and sell in 2024 for ₹9,00,000
→ **LTCG = ₹4,00,000**

🟩 LTCG has **lower tax rate** than STCG.

34. Explain: Income from Salary

Income from Salary is the **income received by an employee from an employer**.
It includes **Basic Salary, Dearness Allowance (DA), House Rent Allowance (HRA), Bonus, Commission, Leave Salary, Pension, Perquisites (fringe benefits)** etc.

🟩 Example:
If monthly salary = ₹40,000
Annual salary income = **₹4,80,000** (taxable under salary head)

Topic 13: Compulsory Filing of Return of Income (ITR)

You must file ITR if:

- Income exceeds basic exemption limit
- Deposit more than **₹1 crore** in bank

- Spent more than **₹2 lakh** on foreign travel
- Electricity bill more than **₹1 lakh** yearly
- Business turnover above **₹60 lakh**
- Professional income above **₹10 lakh**
- TDS/TCS above **₹25,000**

38. Write down new slab rates applicable to individuals for FY 2024–25 (New Regime)

Income Slab	Tax Rate
Up to ₹3,00,000	Nil
₹3,00,001 – ₹6,00,000	5%
₹6,00,001 – ₹9,00,000	10%
₹9,00,001 – ₹12,00,000	15%
₹12,00,001 – ₹15,00,000	20%
Above ₹15,00,000	30%

Note: Rebate under **Section 87A** is available – No tax if income **up to ₹7,00,000**