**Importance of Banking:**

**Basic introduction:**

1. **What is GDP?**

Gross Domestic Product (GDP) is the total monetary value of all goods and services produced within a country's borders over a specific period, typically a year or quarter. It is a key indicator used to measure the economic health and size of a country’s economy.

GDP measures the total value added at each stage of production within an economy, covering **primary**, **secondary**, and **tertiary** sectors. For example:

* **Primary Sector**: The production of raw materials like cotton.
* **Secondary Sector**: The processing of raw materials into intermediate goods, such as spinning cotton into yarn and weaving yarn into cloth.
* **Tertiary Sector**: The services involved in delivering the final product, such as retail and distribution of the cloth.

GDP includes the value of the **final product**, not the intermediate goods, to avoid **double counting**.

There are three primary approaches to calculating GDP:

* **Production Approach (Output Approach)**
* Measures GDP as the total value of all goods and services produced in the economy minus the value of goods and services used in production.
* Formula:

GDP=Gross Output−Intermediate Consumption

* **Used for Comparison**:
* **Between Time Periods**: To analyse growth trends (e.g., quarterly or annual GDP growth).
* **Between Countries**: To compare economic performance globally.
* **Basis for Policy Decisions**:

Governments and central banks use GDP data to shape fiscal and monetary policies, such as taxation, interest rates, and public spending.

* **Influence on Investments**:

Investors analyse GDP growth to assess economic stability and predict market performance.

**Types of GDP**

1. **Nominal GDP**: Measures GDP at current market prices without adjusting for inflation.
2. **Real GDP**: Adjusts for inflation, providing a more accurate representation of economic growth.
3. **GDP per Capita**: Divides GDP by the total population, showing the average economic output per person.

**Limitations of GDP**

* Does not account for income inequality.
* Excludes non-market activities (e.g., household work, black market).
* Does not measure the environmental impact of production.
* Fails to capture overall well-being and happiness of citizens.

GDP is a powerful tool for understanding an economy’s size and growth, but it should be supplemented with other metrics for a complete picture of economic and societal progress.

GDP is calculated as **Gross Domestic Product**, so it includes the full production value without subtracting depreciation (loss of value due to wear and tear of machinery or assets).

When depreciation is deducted, the resulting figure is called **Net Domestic Product (NDP)**.

1. **What is NDP?**

NDP stands for **Net Domestic Product**, which represents the total value of goods and services produced within a country in each period, after accounting for **depreciation**. Depreciation, also known as **capital consumption allowance**, refers to the wear and tear or obsolescence of fixed assets (like machinery, buildings, and equipment) used in production.

**Formula for NDP:** NDP=GDP−Depreciation

* GDP is the Gross Domestic Product, the total production value without deducting depreciation.
* **Depreciation** is the reduction in the value of fixed assets over time due to usage, wear and tear, or obsolescence.

**Importance of NDP**

1. **Reflects Sustainable Production**: NDP indicates the actual value of goods and services that can be consumed or reinvested without depleting the nation's productive assets.
2. **Economic Health**: A lower NDP compared to GDP could indicate high depreciation, suggesting inefficient or aging infrastructure.
3. **Policy Insights**: NDP helps governments and policymakers assess whether the level of investment in new assets is sufficient to maintain or grow the economy.

**How NDP Is Calculated**

1. **Start with GDP**: Calculate the total value of goods and services produced domestically.
2. **Subtract Depreciation**: Estimate the depreciation of physical assets used in production.

Example:

* If a country's GDP is $1,000 billion and depreciation is $100 billion, then: NDP=1000−100=900

**Gross vs. Net Domestic Product**

| **Aspect** | **GDP** | **NDP** |
| --- | --- | --- |
| **Definition** | Total production value without considering depreciation. | Total production value minus depreciation. |
| **Focus** | Measures gross output. | Measures sustainable output. |
| **Use** | Broad economic performance metric. | Indicator of actual income or consumption potential. |

**Limitations of NDP**

1. **Depreciation Estimation**: Calculating depreciation accurately is complex, as it depends on the method used (e.g., straight-line, reducing balance).
2. **Focus on Physical Assets**: NDP doesn’t account for depreciation of intangible assets or environmental degradation.
3. **Exclusion of Informal Economy**: Like GDP, NDP may not fully account for informal or black-market activities.
4. **What is GNP?**

GNP stands for Gross National Product, which measures the total value of goods and services produced by a country's residents (citizens and businesses) over a specified period, regardless of where they are located globally. Unlike GDP (Gross Domestic Product), which measures production within a country's borders, GNP focuses on national ownership.

**Formula**: GNP=GDP+Net Factor Income from Abroad (NFIA)

* **GDP** = Gross Domestic Product (domestic production within a country).
* **Net Factor Income from Abroad (NFIA)** = Income earned by residents from foreign investments **minus** income earned by foreign residents from domestic investments.

**Ex**: If a country's **GDP** is **$500 billion**, and its citizens abroad earn **$30 billion** while foreign investments in the country earn **$20 billion**:

GNP=500+(30−20)=510billion

**Importance of GNP:**

* Measures National Economic Output
* Reflects the Contribution of Overseas Investments
* Policy Formulation
* International Comparisons
* Understanding the Standard of Living
* Assessment of Economic Dependence

**GNP vs. GDP**

| **Aspect** | **GNP** | **GDP** |
| --- | --- | --- |
| **Focus** | National ownership of production | Domestic production within borders |
| **Income Source** | Includes income earned abroad | Includes only domestic income |
| **Formula** | GDP + Net Factor Income from Abroad | Total value of domestic production |
| **Best Use** | For economies with significant international activities | For measuring domestic economic growth |
| **Example** | Income of an Indian working in the USA **is included** | Income of an Indian working in the USA **is excluded** |
|  |  |  |

**Limitations of GNP:**

* **Excludes Informal Economy:** Activities in the informal sector are often not accounted for.
* **Complex Calculation:** Estimating net income from abroad (NFIA) can be challenging.
* **Ignores Environmental Costs:** Like GDP, GNP does not account for environmental degradation.
* **Not Always Reflective**: High GNP may not translate to equitable income distribution or higher living standards.

GNP is an essential economic indicator that evaluates the total income generated by a nation's residents, both domestically and abroad. It provides insights into a country's global economic participation, standard of living, and reliance on international activities.

1. **What is NNP?**

**Net National Product (NNP)** is the total value of all goods and services produced by a country's residents (both domestically and abroad) in each time, **adjusted for depreciation**. It represents the **real national income** after accounting for the wear and tear or **depreciation** of capital goods (like machinery, buildings, and equipment) used in the production process.

**Formula:** NNP=GNP−Depreciation (Capital Consumption Allowance)

* **GNP** = Gross National Product (total value of goods and services produced by a country's citizens).
* **Depreciation** = Reduction in the value of fixed assets due to wear and tear, obsolescence, or aging.

**Ex:** If a country's GNP is $600 billion, and the depreciation of assets is $50 billion, then: **NNP=600−50=550billion**

This $550 billion is the Net National Product or the real income available for use by the country.

**Importance of NNP:**

* Represents Real National Income
* Measures Economic Sustainability
* Policy Decision-Making
* Tracks Economic Growth
* Standard of Living
* International Comparisons
* Resource Utilization

**NNP vs. GNP**

| **Aspect** | **NNP** | **GNP** |
| --- | --- | --- |
| **Adjustment for Depreciation** | Adjusts for depreciation (wear and tear). | Does not account for depreciation. |
| **Focus** | Real income after maintaining capital. | Gross income generated by nationals. |
| **Sustainability** | Indicates sustainability of growth. | May overstate growth if depreciation is high. |

**Limitations of NNP:**

* Excludes Informal Economy
* Difficult to Estimate Depreciation
* Ignores Environmental Degradation
* Uneven Income Distribution

Net National Product (NNP) is a vital economic indicator that measures the **real value of national production** by adjusting for depreciation. It provides policymakers and economists with a clearer picture of a country's economic health and sustainability. By focusing on NNP, nations can ensure that economic growth is sustainable and reflective of real income levels available for improving the standard of living.

Using this approach is the best way to calculate Indian economy.

The calculation of economic indicators like **GDP, GNP, NNP, and NDP** is typically performed by **government agencies** and national statistical organizations in collaboration with economists and data analysts. Here's a breakdown of **who calculates these indicators**:

* 1. **National Statistical Agencies**

In most countries, a dedicated government statistical agency is responsible for collecting, analyzing, and publishing economic data.

Examples include:

* India: *National Statistical Office (NSO)* under the Ministry of Statistics and Programme Implementation (MoSPI).
* USA: *Bureau of Economic Analysis (BEA)*.
* UK: *Office for National Statistics (ONS)*.
* Japan: *Statistics Bureau of Japan*.
* Canada: *Statistics Canada*.

These organizations collect data from various sectors, including agriculture, industry, and services, to compile national income accounts.

* 1. **Central Banks:**
* Central banks, like the **Reserve Bank of India (RBI)**, the **Federal Reserve (USA)**, or the **European Central Bank (ECB)**, play a role in monitoring and analysing economic indicators.
* They use these indicators for monetary policy decisions (e.g., interest rates, inflation targeting).
  1. **Government Ministries:**

Ministries of finance, commerce, and economics often collaborate with statistical agencies to calculate national income accounts.

**Ex:** In India: *Ministry of Statistics and Programme Implementation (MoSPI)* publishes GDP data.

In the USA: The *Department of Commerce* oversees economic statistics.

* 1. **International Organizations:**

Global organizations compile, standardize, and compare economic data across countries. Key organizations include:

* World Bank
* International Monetary Fund (IMF)
* **United Nations (UN)** and its *System of National Accounts (SNA)* framework.
* **OECD** (Organization for Economic Cooperation and Development)

These organizations rely on national data to monitor global economic performance and trends.

* 1. **Economists and Analysts:**

Professional economists, research organizations, and think tanks help in refining these calculations and interpreting their economic significance.

**Ex:** National Bureau of Economic Research (NBER) in the USA.

Centre for Monitoring Indian Economy (CMIE) in India.

* 1. **Private and Independent Agencies:**

In addition to government bodies, private research organizations and financial institutions analyse economic indicators for forecasting and reporting.

* **Examples**: Bloomberg, McKinsey, or private economic consultancies.

**How data Collected?**

To calculate indicators like GDP, GNP, and NNP, **data is collected** from various sectors:

1. **Surveys and Census**: Large-scale surveys of households, businesses, and industries.
2. **Tax Returns**: Data from income tax, sales tax, and corporate tax records.
3. **Trade Statistics**: Import-export data from customs departments.
4. **Industry Reports**: Production and sales data from industries.
5. **Agricultural Data**: Reports from agricultural ministries or census organizations.
6. **Financial Institutions**: Banking data, interest rates, and credit growth.

In most countries, national statistical agencies (like India's NSO or the USA's BEA) are primarily responsible for calculating economic indicators like GDP, NNP, and GNP. They collaborate with ministries, central banks, and global organizations to ensure accurate and standardized reporting. These calculations are critical for policy decisions, economic planning, and international comparisons.

1. **Meaning of growth?**

It means **an increase** or **improvement** in something over time.

For example:

* In a **person**, growth means getting bigger, stronger, or learning new things.
* In **business**, growth means earning more money, gaining more customers, or expanding.
* In an **economy**, growth means producing more goods and services, leading to a better standard of living.

In short, **growth is progress, development, or a positive change**.

1. **Meaning of Inflation?**

It means a general increase in prices of goods and services over time.

For example:

* If a loaf of bread costs ₹20 today but ₹25 next year, that's inflation.
* It means the same amount of money buys fewer things than before.

Inflation reduces the value of money over time, so you need more money to buy the same items.

A small amount of inflation is normal in a growing economy, but too much inflation can make life expensive and challenging.

Inflation mainly affects the **essential products and services** that people use in their daily lives. These include:

* Food and Groceries, Fuel and Electricity, Housing, Healthcare, Education, Transportation, Clothing and Footwear

Inflation in these sectors impacts **everyone**, especially the middle class and poor, as their cost of living rises while income may not grow at the same rate.

1. **Meaning of Recession?**

**Recession** means a period when the economy slows down, and businesses produce and sell less than before. It often leads to:

1. **Job losses** – Companies may lay off workers.
2. **Lower spending** – People buy less because they have less money.
3. **Fewer opportunities** – New businesses or jobs don’t grow quickly.

In simple words, a recession is when a country’s economy shrinks, causing financial struggles for people and businesses.

1. **Meaning of Poverty?**

**Poverty** in general terms refers to a condition where individuals or communities lack the financial resources and essentials to maintain a minimum standard of living. This includes insufficient access to basic needs such as food, clean water, shelter, healthcare, education, and employment opportunities.

It can be broadly classified into:

* **Absolute poverty**: When basic survival needs cannot be met.
* **Relative poverty**: When individuals have less than others in society, affecting their standard of living.

Poverty can limit opportunities, affect health, and hinder overall economic and social development.

1. **Meaning of Urbanization?**

**Urbanization** refers to the process in which people move from rural areas to urban areas, leading to the growth and expansion of cities and towns. It is associated with an increase in population density in urban regions and often results from industrialization, better job opportunities, education, healthcare, and improved living standards in cities.

**Key Aspects of Urbanization:**

1. **Migration**: People moving from villages to cities in search of a better life.
2. **Industrialization**: Growth of industries that attract workers to urban areas.
3. **Infrastructure Development**: Expansion of transportation, housing, and utilities in cities.
4. **Economic Growth**: Increased economic activities in urban areas leading to modernization.

**Importance**: Urbanization can lead to economic growth, innovation, and improved facilities, but it can also cause challenges like overpopulation, pollution, and strain on resources.

1. **Meaning of Assets?**

An **asset** is anything that has value and can provide future economic benefits. It can be owned by an individual, company, or organization. Assets can be tangible (physical things) or intangible (non-physical, like rights or patents).

**Types of Assets:**

1. **Tangible Assets**: Physical things like cash, land, buildings, vehicles, and machinery.
2. **Intangible Assets**: Non-physical things like trademarks, patents, copyrights, and goodwill.
3. **Financial Assets**: Investments like stocks, bonds, and bank balances.

An asset is something valuable that we own, which can help you earn money, provide utility, or contribute to growth. For example, your house, car, or savings account are all assets.

1. **Meaning of Liability?**

**Liability** in finance and accounting refers to an obligation or debt that a person or business owes to another party. It represents what a company or individual is legally required to pay or fulfill in the future.

**Types of Liabilities:**

1. **Current Liabilities**: Short-term debts or obligations due within a year, like accounts payable, wages, and taxes.
2. **Non-Current Liabilities**: Long-term debts or obligations due after one year, like long-term loans, bonds payable, or mortgages.

A liability is something you owe, such as money or a responsibility to fulfil a contract or agreement. For example, if you have a loan, the amount you owe is your liability.

**Importance of the Barter System?**

**Foundation of Trade:**

* The barter system was one of the earliest forms of economic exchange, laying the groundwork for modern trade practices.

**No Need for Currency**:

* It facilitated trade in societies without money, allowing people to exchange surplus goods for what they needed.

**Promotes Direct Exchange**:

* Encouraged personal interactions and mutual agreements between traders, fostering community relationships.

**Utilization of Surplus**:

* Helped communities make efficient use of excess resources by exchanging them for other necessities.

**Adaptable in Crisis**:

* In situations where currency loses value (e.g., hyperinflation or economic collapse), barter systems can act as a fallback.

**Importance of the Kula System**?

**Strengthens Social Bonds**:

* The Kula exchange promotes mutual respect, trust, and lasting alliances between different island communities.

**Cultural Significance**:

* Items exchanged (like shell necklaces and armbands) hold symbolic meaning, representing honor, status, and historical connections.

**Non-Monetary Exchange**:

* Demonstrates how societies can operate and thrive on systems not driven by material wealth or economic profit.

**Anthropological Insight**:

* Offers a unique case study of human behaviour, emphasizing relationships, rituals, and social obligations over economic gain.

**Conflict Resolution**:

* By fostering alliances, the Kula system reduces inter-island tensions and builds networks of cooperation.

**Meaning and Difference Between Fiat Currency and Legal Tender**:

**1. Fiat Currency:**

* A **fiat currency** is money issued by a government or central bank that has no intrinsic value (not backed by a physical commodity like gold or silver). Its value comes from the trust and confidence of the people using it, as well as government regulation. When the RBI governor signature is there that is fiat currency. They promise who owns that money take any commodities worth of that amount.
* Examples: Indian Rupee (INR), US Dollar (USD), Euro (EUR).

**2. Legal Tender:**

* **Legal tender** is any form of payment that is officially recognized by the law as valid for settling debts or transactions within a country. It is mandatory for creditors to accept legal tender when offered for payment.
* Examples: Paper currency and coins authorized by a government, such as INR in India or USD in the USA.

A **bank check** is neither **fiat currency** nor **legal tender**, but it is a form of **negotiable instrument** or **payment mechanism**.

**Working procedure Block chain?**

**Blockchain** works by validating transactions, grouping them into blocks, adding blocks through a consensus mechanism, and updating the distributed ledger. This ensures data integrity, security, and decentralization.

**What is Bitcoin?**

**Bitcoin** is a **decentralized digital currency** that allows people to send and receive value over the internet without the need for intermediaries like banks or governments. It was created in **2008** by an anonymous person or group of people under the pseudonym **Satoshi Nakamoto** and released as open-source software in **2009**.

**Key Features of Bitcoin:**

1. **Decentralized**: Bitcoin operates on a **peer-to-peer** network, meaning it is not controlled by any central authority (like a bank or government).
2. **Blockchain Technology**: Bitcoin transactions are recorded on a public ledger called the **blockchain**, ensuring transparency and security.
3. **Limited Supply**: There is a maximum supply of **21 million** Bitcoins that can ever exist, making it a deflationary asset.
4. **Digital and Borderless**: Bitcoin exists purely in digital form and can be transferred globally with minimal fees and without intermediaries.
5. **Secure**: Bitcoin uses strong cryptographic techniques to secure transactions and control the creation of new units.

**How Bitcoin Works:**

* Bitcoin transactions are verified by **miners** who solve complex mathematical puzzles to confirm transactions and add them to the blockchain.
* Miners are rewarded with **newly minted bitcoins** and transaction fees for their efforts.

**Value of Bitcoin:**

* The **value of Bitcoin** is **highly volatile**, and it fluctuates based on demand, market sentiment, and other factors like regulatory news and technological advancements.
* Bitcoin’s price is typically quoted in **fiat currency** (such as USD, EUR, INR), and it is traded on various exchanges like **Coinbase**, **Binance**, and **Kraken**.

Since the price of Bitcoin changes constantly due to market conditions, to get the current value of Bitcoin, it's best to check a reliable financial news website or a cryptocurrency exchange platform.

For example, as of recent times, **Bitcoin's value** has ranged from a few thousand dollars per BTC to more than **$60,000 USD** per Bitcoin, but this can vary significantly.

Bitcoin is a **digital currency** that uses **blockchain technology** for decentralized transactions, and its value is determined by supply and demand in the market, making it subject to rapid fluctuations.

**BFSI** stands for **Banking, Financial Services, and Insurance**. It is an umbrella term used to refer to companies and institutions that provide services in these three interrelated sectors. BFSI plays a crucial role in the global economy by managing monetary transactions, safeguarding assets, offering loans, facilitating investments, and mitigating financial risks.

1. **Banking:**

Banking is the backbone of the BFSI sector and refers to institutions that accept deposits, provide credit, and manage financial transactions.

**Types of Banking:**

* **Retail Banking:** Focuses on individual customers, offering savings accounts, loans, credit cards, and other personal financial services.
* **Corporate Banking:** Serves large businesses with services like business loans, treasury management, and cash management.
* **Investment Banking:** Helps companies raise capital, manage mergers & acquisitions, and provide financial advisory services.
* **Private Banking:** Personalized wealth management services for high-net-worth individuals (HNWIs).
* **Digital Banking:** Banks offering services via internet and mobile platforms to enable cashless and seamless banking.

**Key Trends in Banking:**

* **Digital Transformation:** Adoption of mobile banking apps, AI chatbots, and fintech solutions.
* **Open Banking:** Collaboration with fintech firms through APIs to deliver new-age banking services.
* **Neo Banks:** Fully digital banks with no physical branches.
* **Cybersecurity:** Enhancing security measures due to rising cyber threats.

1. **Financial Services:**

Financial services encompass a wide range of services provided by institutions for managing, growing, and protecting wealth.

**Key Financial Services:**

* **Wealth Management:** Personalized advice on investments, retirement plans, and estate planning.
* **Investment Services:** Mutual funds, stock trading, bonds, and structured investment products.
* **Asset Management:** Managing large portfolios for clients like insurance companies, pension funds, and HNWIs.
* **Payment Services:** Facilitating payments via cards, UPI, digital wallets, and e-payment gateways.
* **Loans and Credit Facilities:** Providing funds through personal loans, home loans, or business loans.
* **Capital Markets:** Enabling the trading of stocks, bonds, and derivatives through exchanges.

**Key Trends in Financial Services:**

* **Fintech Innovations:** Mobile wallets, peer-to-peer lending, and robot-advisory platforms.
* **Digital Lending:** AI-based credit scoring for faster loan approvals.
* **Blockchain and Cryptocurrencies:** Transforming payments, trading, and record-keeping.
* **Financial Inclusion:** Expanding services to underserved rural populations using microfinance.

1. **Insurance:**Insurance helps individuals and businesses protect themselves against financial losses due to unforeseen risks.

**Types of Insurance:**

* **Life Insurance:** Provides financial security to dependents in case of death or disability.
* **Health Insurance:** Covers medical expenses and hospitalization costs.
* **General Insurance: Includes:**
  + Motor Insurance: Coverage for vehicles.
  + Home Insurance: Protection against natural disasters and theft.
  + Travel Insurance: Covers risks during travel.
* **Corporate Insurance:** Group health plans, business liability insurance, and property insurance.

**Key Trends in Insurance:**

* **Insurtech:** Integration of technology for faster claims processing and digital policy issuance.
* **Usage-Based Insurance:** Personalized policies based on usage behaviour (e.g., motor telematics).
* **Micro-Insurance:** Low-cost insurance products for low-income individuals.
* **AI and Automation:** For fraud detection, underwriting, and claim processing.

**Importance of the BFSI Sector:**

* **Economic Growth:** Drives investments, credit, and savings, which fuel economic development.
* **Risk Management:** Helps individuals and businesses mitigate financial uncertainties through insurance.
* **Financial Inclusion:** Extends services to underserved populations through microfinance and digital platforms.
* **Job Creation:** Provides millions of jobs worldwide in areas like banking operations, financial advisory, and insurance underwriting.
* **Global Trade:** Facilitates cross-border transactions, forex management, and trade financing.

**Challenges in BFSI:**

* **Cybersecurity Risks:** Increasing cyberattacks demand enhanced security.
* **Regulatory Compliance:** Adapting to global and regional financial regulations like GDPR, Basel III, and IRDAI guidelines.
* **Technological Disruption:** Managing competition from fintech companies and neo-banks.
* **Economic Volatility:** Global economic slowdowns, inflation, and credit risks.
* **Customer Expectations:** Meeting the demand for faster, seamless, and digital-first services.

The BFSI sector plays a pivotal role in the functioning of the economy. With the growing adoption of digital technologies, AI, and fintech innovations, BFSI companies are transforming their operations to provide enhanced, secure, and customer-centric financial solutions. This sector will continue to evolve to meet the increasing global demand for accessible and innovative financial services.

**Banking Awareness**

1. **What is a Bank?**

A **bank** is a financial institution that provides various services related to money management, such as accepting deposits, offering loans, facilitating investments, and enabling transactions. Banks play a crucial role in the economy by ensuring the flow of money and providing financial stability to individuals, businesses, and governments.

* **Banking Channels:**

1. **Branch Banking**

* Traditional way of accessing banking services by visiting a physical bank branch.
* **Services** - Deposits, withdrawals, loans, account inquiries, and other financial transactions.
* **Example**: Visiting a bank to open an account or apply for a loan.

1. **ATM (Automated teller machine)**

* Self-service machines that allow customers to perform basic transactions without human intervention.
* **Services** - Cash withdrawals, Balance inquiries, Mini statements, Fund transfers (in some ATMs)
* **Example**: Using an ATM to withdraw cash using a debit or credit card.

1. **Internet Banking (Online Banking)**

* A digital platform that enables customers to access banking services through a bank's website.
* **Services** - Fund transfers (NEFT, RTGS, IMPS), Bill payments, Account management, Loan applications, Viewing account statements.
* **Example**: Logging into the bank's online portal to pay utility bills.

1. **Mobile Banking**

* Banking services accessed through a mobile app or SMS.
* **Services** - Account management, Fund transfers (UPI, IMPS), Mobile recharge and bill payments, checking account balance, Checking credit score etc.
* **Example**: Using an app like HDFC Mobile Banking or Google Pay for UPI transactions.

1. **Phone Banking (IVR)**

* Banking services provided over a phone call via customer care or interactive voice response (IVR) systems.
* **Services** - Balance inquiries, Fund transfers, blocking cards, Requesting cheque books.
* **Example**: Calling the bank's customer service for balance inquiries.

1. **SMS Banking**

* Performing limited banking services through SMS commands sent to the bank's short code.
* **Services** - Balance checks, Mini statements, Alerts for account activities
* **Example:** Sending an SMS to check your account balance or receive OTPs.

1. **Telebanking**

* Accessing banking services through a telephone line (landline or mobile) for both self-service and operator-assisted queries.
* **Services**: Like phone banking but sometimes includes personalized assistance.

1. **POS (Point of Sale) Terminals**

* Devices used for card-based transactions at merchant locations.
* **Services** - Payments for goods and services, Cashback services
* **Example:** Swiping your debit/credit card at a store to pay for purchases.

1. **Correspondent Banking (Banking Agents)**

* Services provided by banking agents in rural or remote areas where bank branches are unavailable.
* **Services** - Deposits, withdrawals, Account opening, Basic loan services.
* **Example:** Local shopkeepers acting as banking agents in villages.

1. **Self-Service Kiosks**

* Automated kiosks installed in bank branches or public places.
* **Services** - Passbook printing, Cheque deposits, Account information retrieval.

1. **Chatbot Banking**

* Using AI-driven chatbots (on websites, apps, or social media) to access banking services.
* **Services** - Balance inquiries, Customer support, Transaction status tracking
* **Example:** Chatting with a bank's chatbot on WhatsApp to check account balances.

1. **Email Banking**

* Receiving account-related updates and transaction statements via email.
* **Services** - Monthly statements, Payment confirmations, Transaction alerts

1. **UPI (Unified Payments Interface)**:

* payment channel that allows transferring money between accounts via UPI-enabled apps.
* **Services** - Peer-to-peer fund transfers, Merchant payments
* **Example**: Using Google Pay, PhonePe, or Cred to send/receive money.

1. **Wearable Devices**

* Accessing banking services through smartwatches or other wearables.
* **Services** - Payment transactions, Balance checks
* **Example**: Using Apple Pay or Google Wallet via a smartwatch.

Banking channels have evolved significantly to cater to the needs of modern customers. From traditional branch banking to advanced digital and mobile platforms, these channels ensure **convenient, secure, and efficient** access to financial services.

* **Retail Banking for individuals:**

refers to the suite of financial services offered to individual customers (as opposed to businesses or large institutions). It focuses on day-to-day banking needs, personal finance, and small-scale financial solutions. Retail banking is often referred to as **consumer banking** and is the most visible face of banking.

1. **Deposit Services**  
   Retail banks provide various deposit accounts to help customers save money and manage funds.

* **Savings Account**: Basic account for saving money with interest. It has a limited number of allowed withdrawals some interest is paid by the bank on the balance held in a SA.
* **Current/Checking Account**: Designed for frequent transactions with no or minimal interest.
* **Fixed Deposit (FD)**: Locked-in savings with higher interest rates for a specific tenure. Every 6 months getting the interest rate this is called **Accrued income**.
* **Certificate of Deposit (CD)**: It is like fixed deposit account but requires the minimum principal amount. In other words, **big deposits**.
* **Recurring Deposit (RD)**: Allows small, fixed savings instalments over a period to build savings.
* **Term Deposits**: Long-term deposit options for financial growth. It is not transformable.

**Other accounts are:**

* **Nastro Accounts:**

These accounts are held by Indian banks in foreign currencies

* A Nostro Account is an account that a bank holds in a foreign currency in another bank, usually located in the country of that currency. The term "Nostro" comes from the Latin word for "ours," signifying that it is "our account" held in a foreign bank.
* **Foreign Currency Account**: It allows a bank to hold funds in foreign currencies, facilitating international transactions.
* **Used for International Transactions**: Nostro accounts are primarily used for international trade, helping banks settle cross-border transactions like payments, foreign exchange operations, and settlements.
* **Held with Foreign Banks**: These accounts are typically held with correspondent banks in the foreign country.
* If a U.S. bank needs to make payments in euros, it might have a **Nostro account** in a European bank, where the bank keeps euros to facilitate the payments.
* **Vostro Accounts**:

A **Vostro Account** is an account held by a foreign bank in a domestic bank, typically in the domestic currency. The term **"Vostro"** comes from the Latin word for "yours," signifying that it is "your account" held by a foreign bank in the local bank.

* **Foreign Bank's Account in Domestic Bank**: A Vostro account is maintained by a foreign bank in a local bank.
* **Used for Cross-Border Transactions**: It facilitates the settlement of international transactions and helps foreign banks manage their funds in the local currency.
* If a European bank holds an account with a U.S. bank in U.S. dollars, that is a **Vostro account** for the European bank in the U.S. bank.
* Vostro accounts are the opposite of **Nostro accounts**, where a domestic bank holds an account in a foreign bank.
* **Escrow account:**

An **Escrow Account** is a financial account where a third party temporarily holds funds or assets on behalf of two other parties involved in a transaction, until certain conditions or terms are met. The purpose of an escrow account is to ensure security and fairness in the transaction process.

* **Third-Party Custody**: A neutral third party (often a bank or escrow service) holds the funds or assets in the account.
* **Conditional Release**: The funds are only released when specific terms, such as completing a service, transferring ownership, or meeting contractual obligations, are fulfilled.
* **Common Uses**: Used in real estate transactions, online purchases, mergers and acquisitions, and other situations involving trust between parties.
* **Ex**: In a real estate deal, the buyer may deposit the money into an escrow account, and the seller will receive it only after the property title is transferred to the buyer. This ensures that both parties meet their obligations.
* **Gilt account:**
* A GLIT Account refers to a Government Loan Investment Trust Account. It is a specific type of account used in banking, primarily related to the management and investment of funds in government securities or bonds.
* **Government Securities**: GLIT accounts are often associated with investments in government bonds or treasury securities.
* **Safe Investment**: These accounts are considered low risk because government securities are backed by the government.
* **Purpose**: Used by financial institutions, organizations, or high-net-worth individuals to manage funds in a secure and reliable manner.
* **Interest Earnings**: Funds in GLIT accounts typically earn interest at rates determined by the government or market conditions.
* **NRO and NRE Accounts:**
* **NRO Account**: Manages income earned in India. Taxable.
* **NRE Account**: Manages income earned outside India. Tax-free in India
* An **NRO Account** stands for **Non-Resident Ordinary Account**. It is a type of bank account in India that allows **Non-Resident Indians (NRIs)** to manage their income earned in India.
* An **NRE Account** (**Non-Resident External Account**) is a bank account in India for **Non-Resident Indians (NRIs)** to manage their foreign earnings in Indian Rupees.

1. **Loans and Credit Services**  
   Retail banks offer various types of loans to fulfil the financial needs of individuals.

* **Home Loan**: Loans for purchasing, constructing, or renovating a house.
* **Personal Loan**: Unsecured loans for personal use (weddings, travel, emergencies).
* **Auto Loan**: Loans for purchasing cars or two-wheelers.
* **Education Loan**: Financing for higher education expenses.
* **Consumer Durable Loan**: Loans for purchasing electronics and appliances.
* **Gold Loan**: Loans provided against pledged gold as collateral.
* **Credit Cards**: Providing revolving credit for short-term expenses.

1. **Payment and Transfer Services**  
   Retail banks provide multiple options for transferring funds and making payments.

* **NEFT (National Electronic Funds Transfer)**: Scheduled bank-to-bank fund transfers. The transactions are batch-processed manner from 30 minutes and then conducted.
* **RTGS (Real-Time Gross Settlement)**: Real-time gross settlement, high-value fund transfers. Funds transferred immediately with not batching of transactions like NEFT.
* **IMPS (Immediate Payment Service)**: Instant money transfers 24x7.
* **UPI (Unified Payments Interface)**: Real-time fund transfers via mobile apps.
* **Bill Payments**: Paying utility bills (electricity, water, gas) via online platforms.
* **International Transfers**: Cross-border remittance services through SWIFT or forex channels.

1. **Cards and Digital Banking** (CVV - Card Verification Value)  
   Banks offer physical and virtual cards to facilitate payments and cashless transactions.

* **Debit Cards**: Linked to savings accounts for cash withdrawals and payments.
* **Credit Cards**: Short-term credit facility with interest-free periods.
* **Prepaid Cards**: Reloadable cards for spending within defined limits.
* **Virtual Cards**: For secure online transactions.
* **Digital Wallets**: Wallet apps like Paytm, Google Pay for easy payments.

1. **Investment and Wealth Management Services**  
   Retail banks help individuals grow their wealth through investment options.

* **Mutual Funds**: Investment in equity, debt, or hybrid funds. Money is collected from multiple customers placed in mutual funds. It purchases tradable assets for investment purposes.
* **Fixed Income Instruments**: Government bonds, corporate bonds, and debentures.
* **SIP (Systematic Investment Plans)**: Small monthly investments in mutual funds.
* **Insurance Products**: Life insurance, health insurance, and term plans.
* **Retirement Plans**: NPS (National Pension Scheme) and other pension offerings.
* **Demat and Trading Accounts**: Demat means decentralized account, it Facilities for investing in stocks.
* **Mortgage**: It is providing loans towards buying a real estate. Typically, it is a long-term loan.

1. **Account Management Services**  
   Services to help customers efficiently manage their bank accounts:

* **Passbook and Statement Services**: Tracking account transactions.
* **Cheque Book Issuance**: Offering cheque books for payments.
* **Stop Payment Services**: Blocking unauthorized or unrequired cheque payments.
* **Standing Instructions**: Automating recurring payments like EMIs or bills.
* **Nominee Management**: Adding a nominee for accounts and deposits.

1. **Remittances and Forex Services**  
   Retail banks offer remittance and foreign exchange services to customers.

* **Domestic Remittance**: Sending money to another account within the country.
* **International Remittance**: Sending or receiving funds globally.
* **Foreign Exchange**: Buying and selling foreign currencies for travel or trade.
* **Travel Cards**: Preloaded forex cards for international travellers.

1. **Lockers and Safe Deposit Services**

Safe deposit lockers allow individuals to store valuables like jewellery, documents, and bonds securely.

1. **Mobile and Online Banking**  
   Retail banking has embraced digital transformation to make services accessible 24/7.

* **Internet Banking**: Accessing banking services through a bank's website.
* **Mobile Banking**: Conducting transactions using mobile apps.
* **SMS Banking**: Performing basic banking via SMS commands.
* **Chatbot Support**: AI-based virtual assistants for banking queries.

1. **Customer Support Services**  
   Banks provide multiple touchpoints for customer support:

* **Phone Banking**: Resolving queries via IVR or human assistance.
* **Email Support**: Handling complaints and service requests via email.
* **Chat Support**: Instant help through online or app-based chats.

Retail banking focuses on delivering personalized financial services to individuals. It encompasses a broad range of services like deposits, loans, payments, investments, and digital solutions, making it the backbone of everyday banking needs.