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CHAPTER 1

Bank

A bank is a financial intermediary that accepts deposits and channels those deposits into lending activities, either directly by loaning or indirectly through capital markets. A bank links together customers that have capital deficits and customers with capital surpluses.

Types of Bank

1. **Para banking**- When Bank provide banking services except the general banking facility.

2. **Narrow Banking**- When banks invest its money in government securities instead investing in market to avoid risk.

3. **Overseas Banking-** Banks having branches in other countries besides its origin country. Example Bank of Baroda has maximum foreign branches by any indian bank

4. **Offshore Banking-** Bank which accept currency of all countries. Offshore banks are in those countries which declares them as Heaven Bank Country. Example- Swiss Banks

5. **Green banking**- Promoting environmental-friendly practices and reducing your carbon footprint from your banking activities.

6. **Islamic bank**- Those Banks which work according to Islamic Laws. Concept originate in Egypt. Islamic bank opens at Cochin in kerala in 2010.

7. **Kiosk Banking**- When we Deposit or withdraw money from booths , it is called Kiosk banking.

8.**Defence Banking**- Full *banking* services made available to all members of the *Defence* force, including non-uniformed personnel and other civilians.

9.**Retail Banking-** Retail banking refers to the division of a bank that deals directly with retail customers. Also known as consumer banking or personal banking, retail banking is the visible face of banking to the general public.

10 **Banking on Wheel**- to provide banking services in remote villages which are devoid of banking facilities as part its financial inclusion plan.

11. **Wholesale banking**-Wholesale banking is the provision of services by banks to organisations such as Mortgage Brokers, large corporate clients, mid-sized companies, real estate developers and investors, international trade finance businesses, institutional customers (such as pension funds and government entities/agencies), and services offered to other banks or other financial institutions.

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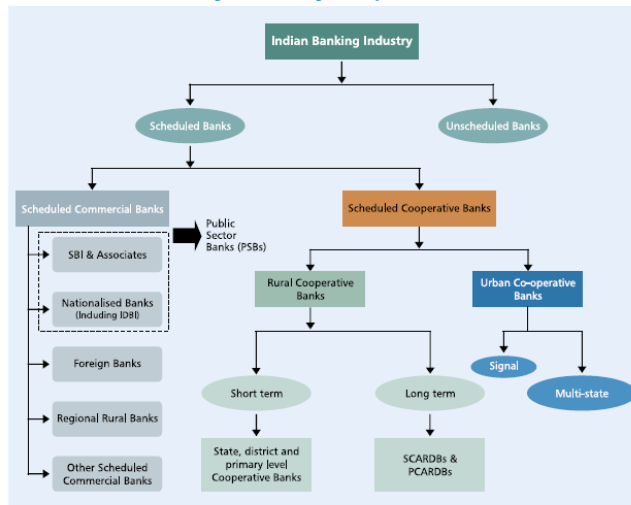
Classification of Banks



1. **Central Bank (RBI)**

2. Scheduled Banks

A scheduled bank is a bank that is listed under the second schedule of the RBI Act, 1934. In order to be included under this schedule of the RBI Act.
Scheduled banks are further classified into commercial and cooperative banks.

Non Scheduled Banks - No bank at present

Scheduled Banks -Divided into two
1. Scheduled Commercial

A) Domestic Banks
a)Government Banks
i) Public Sector Bank eg. SBI, PNB
ii) RRB(Regional Rural Bank) eg. Prathma Gramin Bank
b) Private Banks

B) Foreign Banks eg HSBC

2. Co-operative Banks

- Primary credit societies

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- Central Co-operative banks
- State co-operative Banks

3. **Specialised Bank** eg. Exim Bank, Nabard

Commercial Banks refer to both scheduled and non -scheduled commercial banks which are regulated under Banking Regulation Act, 1949

.

(a) Scheduled Commercial Banks are grouped under following categories:

1. State Bank of India and its Associates

2. Nationalised Banks

3. Foreign Banks

4. Regional Rural Banks

5. Other Scheduled Commercial Banks.

(b) Non - Scheduled Commercial Banks

Note: Banks in the groups (1) & (2) above are known as public sector banks whereas, other scheduled commercial banks mentioned at group (5) above are known as private sector banks.

• Commercial banks are the single most important source of institutional credit in India. A bank is an institution that accepts deposits of money from the public, withdrawable by cheque and used for lending.

•Two essential functions which make a financial institution a bank -

I. acceptance of chequable deposits (of money) from the public and II. Lending.

• Three things about deposits are noteworthy:

• They are deposits of money

• Deposits are accepted from public at large

• Deposits are repayable on demand and withdraw -able by cheque

As bank (under the Banking Regulation Act, 1949) is not allowed to carry on any business of its own (other than that of banking), the word lending is used here broadly to include both direct lending to borrowers and indirect lending through investment in open - market securities

NATIONALISATION OF BANKS

First to be nationalised was RBI on January 1, 1949.

Nationalisation of lmperial Bank of India and its conversion into State Bank of India in July 1955.

Conversion of 8 major State-associated banks into subsidiary banks of SBI in 1959.

Nationalisation of 14 other Indian scheduled banks in July 1969.

Nationalisation of 6 more banks in April 1980.

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Indian bank merged into Punjab National Bank in 1995.

Functions of Banks

Acceptance of money on deposit from the public.

Collection of cheques, drafts, bills, hundis, and other instruments (inland and foreign) for their depositors.

Issue of performance and financial guarantees.

Provision of remittance facilities by issue of drafts, mail transfers, and telegraphic transfers.

Provision of facilities of safe custody of deeds and securities and safe deposits vaults.

Purchase and sale of securities for their constituents.

Bank Deposits

Types of Bank Deposits

Traditionally banks in India have four types of deposit accounts, namely

1. **Current Accounts**
2. **Saving Banking Accounts**
3. **Recurring Deposits and**
4. **Fixed Deposits.**

Current Accounts are basically meant for businessmen and are never used for the purpose of investment or savings. These deposits are the most liquid deposits and there are no limits for number of transactions or the amount of transactions in a day. Most of the current account are opened in the names of firm / company accounts. Cheque book facility is provided and the account holder can deposit all types of the cheques and drafts in their name or endorsed in their favour by third parties. No interest is paid by banks on these accounts. On the other hand, banks charges certain service charges, on such accounts.

Features of Current Accounts :

(a) The main objective of Current Account holders in opening these account is to enable them (mostly businessmen) to conduct their business transactions smoothly.

(b) There are no restrictions on the number of times deposit in cash / cheque can be made or the amount of such deposits;

(c) Usually banks do not have any interest on such current accounts. However, in recent times some banks have introduced special current accounts where interest (as per banks' own guidelines) is paid

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(d) The current accounts do not have any fixed maturity as these are on continuous basis accounts

Saving Accounts- These deposits accounts are one of the most popular deposits for individual accounts. These accounts not only provide cheque facility but also have lot of flexibility for deposits and withdrawal of funds from the account. Most of the banks have rules for the maximum number of withdrawals in a period and the maximum amount of withdrawal, but hardly any bank enforces these. However, banks have every right to enforce such restrictions if it is felt that the account is being misused as a current account. Till 24/10/2011, the interest on Saving Bank Accounts was regulared by RBI and it was fixed at 4.00% on daily balance basis. However, wef 25th October, 2011, RBI has deregulated Saving Fund account interest rates and now banks are free to decide the same within certain conditions imposed by RBI. Under directions of RBI, now banks are also required to open no frill accounts (this term is used for accounts which do not have any minimum balance requirements). Although Public Sector Banks still pay only 4% rate of interest, some private banks like Kotak Bank and Yes Bank pay between 6% and 7% on such deposits. From the FY 2012-13, interest earned upto Rs 10,000 in a financial year on Saving Bank accounts is exempted from tax.

Recurring Deposit Accounts- These are popularly known as RD accounts and are special kind of Term Deposits and are suitable for people who do not have lump sum amount of savings, but are ready to save a small amount every month. Normally, such deposits earn interest on the amount already deposited (through monthly installments) at the same rates as are applicable for Fixed Deposits / Term Deposits. These are best if you wish to create a fund for your child's education or marriage of your daughter or buy a car without loans or save for the future.

Recurring Deposit accounts are normally allowed for maturities ranging from 6 months to 120 months. A Pass book is usually issued wherein the person can get the entries for all the deposits made by him / her and the interest earned. Banks also indicate the maturity value of the RD assuming that the monthly instalents will be paid regularly on due dates. In case instalment is delayed, the interest payable in the account will be reduced and some nominal penalty charged for default in regular payments. Premature withdrawal of accumulated amount permitted is usually allowed (however, penalty may be imposed for early withdrawals). These accounts can be opened in single or joint names. Nomination facility is also available.

The RD interest rates paid by banks in India are usually the same as payable on Fixed Deposits, except when specific rates on FDs are paid for particular number of days e.g. 500 days, 555 days, 1111 days etc i.e. these are not ending in a quarter.

Fixed Deposit Accounts or Term Deposits

All Banks in India (including SBI, PNB, BoB, BoI, Canara Bank, ICICI Bank, Yes Bank etc.) offer fixed deposits schemes with a wide range of tenures for periods from 7 days to 10 years. These are also popularly known as FD accounts. However, in some other countries these are known as "Term Deposits" or even called "Bond". The term "fixed" in Fixed Deposits (FD) denotes the period of maturity or tenor. Therefore, the depositors are supposed to continue such Fixed Deposits for the length of time for which the depositor decides to keep the money

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with the bank. However, in case of need, the depositor can ask for closing (or breaking) the fixed deposit prematurely by paying paying a penalty (usually of 1%, but some banks either charge less or no penalty). (Some banks introduced variable interest fixed deposits. The rate of interest on such deposits keeps on varying with the prevalent market rates i.e. it will go up if market interest rates goes and it will come down if the market rates fall. However, such type of fixed deposits have not been popular till date).

The rate of interest for Fixed Deposits differs from bank to bank (unlike earlier when the same were regulated by RBI and all banks used to have the same interest rate structure. The present trends indicate that private sector and foreign banks offer higher rate of interest.

Non Performing Asset

Non Performing Asset means an asset or account of borrower, which has been classified by a bank or financial institution as sub-standard, doubtful or loss asset in accordance with the directions or guidelines relating to asset classification issued by RBI

An asset, including a leased asset, becomes non-performing when it ceases to generate income for the bank.

A non performing asset (NPA) is a loan or an advance where;

(i) Interest and/ or instalment of principal remain overdue for a period of more than 90 days in respect of a term loan,

(ii) The account remains 'out of order' in respect of an Overdraft/Cash Credit (OD/CC), if the outstanding balance remains continuously in excess of the sanctioned limit/drawing power. In cases where the outstanding balance in the principal operating account is less than the sanctioned limit / drawing power, but there are no credits continuously for 90 days as on the date of Balance Sheet or credits are not enough to cover the interest debited during the same period, these accounts should be treated as 'out of order'.

(iii) The bill remains overdue for a period of more than 90 days in the case of bills purchased and discounted,

(iv) The instalment of principal or interest thereon remains overdue for two crop seasons for short duration crops,

(v) The instalment of principal or interest thereon remains overdue for one

Crop season for long duration crops,

(vi) The amount of liquidity facility remains outstanding for more than 90 days, in respect of a securitisation transaction undertaken in terms of guidelines on securitisation dated February 1, 2006.

(vii) In respect of derivative transactions, the overdue receivables representing positive mark-to-market value of a derivative contract, if these remain unpaid for a period of 90 days from the specified due date for payment.

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CHAPTER 2

Reserve Bank Of India

Establishment

The Reserve Bank of India was established on April 1, 1935 in accordance with the provisions of the Reserve Bank of India Act, 1934.

The Central Office of the Reserve Bank was initially established in Calcutta but was permanently moved to Mumbai in 1937. The Central Office is where the Governor sits and where policies are formulated.

Though originally privately owned, since nationalisation in 1949, the Reserve Bank is fully owned by the Government of India.

Central Board

The Reserve Bank's affairs are governed by a central board of directors. The board is appointed by the Government of India in keeping with the Reserve Bank of India Act.

- Appointed/nominated for a period of four years
- Constitution:
    - Official Directors
        - Full-time : Governor and not more than four Deputy Governors
    - **Non-Official Directors**
        - Nominated by Government: ten Directors from various fields and two government Officials
        - Others: four Directors - one each from four local boards

Local Boards

One each for the four regions of the country in Mumbai, Calcutta, Chennai and New Delhi
Membership:
consist of five members each
appointed by the Central Government
for a term of four years

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Functions : To advise the Central Board on local matters and to represent territorial and economic interests of local cooperative and indigenous banks; to perform such other functions as delegated by Central Board from time to time.

Main Functions

Monetary Authority:

- Formulates, implements and monitors the monetary policy.
- Objective: maintaining price stability and ensuring adequate flow of credit to productive sectors.

Regulator and supervisor of the financial system:

- Prescribes broad parameters of banking operations within which the country's banking and financial system functions.
- Objective: maintain public confidence in the system, protect depositors' interest and provide cost-effective banking services to the public.

Manager of Foreign Exchange

- Manages the Foreign Exchange Management Act, 1999.
- Objective: to facilitate external trade and payment and promote orderly development and maintenance of foreign exchange market in India.

Issuer of currency:

- Issues and exchanges or destroys currency and coins not fit for circulation.
- Objective: to give the public adequate quantity of supplies of currency notes and coins and in good quality.

Developmental role

- Performs a wide range of promotional functions to support national objectives.

Related Functions

- Banker to the Government: performs merchant banking function for the central and the state governments; also acts as their banker.
- Banker to banks: maintains banking accounts of all scheduled banks.

Offices

- Has 19 regional offices, most of them in state capitals and 9 Sub-offices.

Training Establishments

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Has five training establishments

- Two, namely, College of Agricultural Banking and Reserve Bank of India Staff College are part of the Reserve Bank
- Others are autonomous, such as, National Institute for Bank Management, Indira Gandhi Institute for Development Research (IGIDR), Institute for Development and Research in Banking Technology (IDRBT)

A) MONETARY POLICY OF RBI :-

The Monetary Policy of RBI is not merely one of credit restriction, but it has also the duty to see that legitimate credit requirements are met and at the same time credit is not used for unproductive and speculative purposes RBI has various weapons of monetary control and by using them, it hopes to achieve its monetary policy.

I) General I Quantitative Credit Control Methods :-

In India, the legal framework of RBI's control over the credit structure has been provided Under Reserve Bank of India Act, 1934 and the Banking RegulationAct, 1949. Quantitative credit controls are used to maintain proper quantity of credit o money supply in market. Some of the important general credit control methods are:-

1. Bank Rate Policy :-

Bank rate is the rate at which the Central bank lends money to the commercial banks for their liquidity requirements. Bank rate is also called discount rate. In other words bank rate is the rate at which the central bank rediscounts eligible papers (like approved securities, bills of exchange, commercial papers etc) held by commercial banks.

Bank rate is important because its is the pace setter to other marketrates of interest. Bank rates have been changed several times by RBI to control inflation and recession. By 2003, the bank rate has been reduced to 6% p.a.

2. Open market operations :-

It refers to buying and selling of government securities in open market in order to expand or contract the amount of money in the banking system.This technique is superior to bank rate policy. Purchases inject money into the banking system while sale of securities do the opposite. During last two decades the RBI has been undertaking switch operations. These involve the purchase of one loan against the sale of another or, vice-versa. This policy aims at preventing unrestricted increase in liquidity.

3. Cash Reserve Ratio (CRR)

The Gash Reserve Ratio (CRR) is an effective instrument of credit control. Under the RBl Act of, l934 every commercial bank has to keep certain minimum cash reserves with RBI. The RBI is empowered to vary the CRR between 3% and 15%. A high CRR reduces the cash for lending and a low CRR increases the cash for lending.

4. Statutory Liquidity Ratio (SLR)

Under SLR, the government has imposed an obligation on the banks to ,maintain a certain ratio to its total deposits with RBI in the form of liquid assets like cash, gold and other securities. The

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RBI has power to fix SLR in the range of 25% and 40% between 1990 and 1992 SLR was as high as 38.5%. Narasimham Committee did not favour maintenance of high SLR. The SLR was lowered down to 25% from 10thOctober 1997.It was further reduced to 24% on November 2008. At present it is 25%.

5. Repo And Reverse Repo Rates

In determining interest rate trends, the repo and reverse repo rates are becoming important. Repo means Sale and Repurchase Agreement. Repo is a swap deal involving the immediate Sale of Securities and simultaneous purchase of those securities at a future date, at a predetermined price. Repo rate helps commercial banks to acquire funds from RBI by selling securities and also agreeing to repurchase at a later date.

Reverse repo rate is the rate that banks get from RBI for parking their short term excess funds with RBI. Repo and reverse repo operations are used by RBI in its Liquidity Adjustment Facility. RBI contracts credit by increasing the repo and reverse repo rates and by decreasing them it expands credit.

II) SELECTIVE / QUALITATIVE CREDIT CONTROL METHODS :-

Under Selective Credit Control, credit is provided to selected borrowersfor selected purpose, depending upon the use to which the control try to regulate the quality of credit - the direction towards thecredit flows. The Selective Controls are :-

1. Ceiling On Credit

The Ceiling on level of credit restricts the lending capacity of a bank to grant advances against certain controlled securities.

2. Margin Requirements :-

A loan is sanctioned against Collateral Security. Margin means that proportion of the value of security against which loan is not given. Margin against a particular security is reduced or increased in order to encourager to discourage the flow of credit to a particular sector. It varies from 20% to 80%. For agricultural commodities it is as high as 75%. Higher the margin lesser will be the loan sanctioned.

3. Discriminatory Interest Rate (DIR)

Through DIR, RBI makes credit flow to certain priority or weaker sectors by charging concessional rates of interest. RBI issues supplementary instructions regarding granting of additional credit against sensitive commodities, issue of guarantees, making advances etc. .

4. Directives:-

The RBI issues directives to banks regarding advances. Directives are regarding the purpose for which loans may or may not be given.

5. Direct Action

It is too severe and is therefore rarely followed. It may involve refusal by RBI to rediscount bills or cancellation of license, if the bank has failed to comply with the directives of RBI.

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6. Moral Suasion

Under Moral Suasion, RBI issues periodical letters to bank to exercise control over credit in general or advances against particular commodities. Periodic discussions are held with authorities of commercial banks in this respect.

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CHAPTER 3

NEFT AND RTGS

Q.1. What is NEFT?

Ans: National Electronic Funds Transfer (NEFT) is a nation-wide payment system facilitating one-to-one funds transfer. Under this Scheme, individuals, firms and corporates can electronically transfer funds from any bank branch to any individual, firm or corporate having an account with any other bank branch in the country participating in the Scheme.

Q.2. Are all bank branches in the country part of the NEFT funds transfer network?

Ans: For being part of the NEFT funds transfer network, a bank branch has to be NEFT-enabled. The list of bank-wise branches which are participating in NEFT is provided in the website of Reserve Bank of India

Q.3. Who can transfer funds using NEFT?

Ans: Individuals, firms or corporates maintaining accounts with a bank branch can transfer funds using NEFT. Even such individuals who do not have a bank account (walk-in customers) can also deposit cash at the NEFT-enabled branches with instructions to transfer funds using NEFT. However, such cash remittances will be restricted to a maximum of Rs.50,000/- per transaction. Such customers have to furnish full details including complete address, telephone number, etc.NEFT, thus, facilitates originators or remitters to initiate funds transfer transactions even without having a bank account.

Q.4. Who can receive funds through the NEFT system?

Ans: Individuals, firms or corporates maintaining accounts with a bank branch can receive funds through the NEFT system. It is, therefore, necessary for the beneficiary to have an account with the NEFT enabled destination bank branch in the country.
The NEFT system also facilitates one-waycross-border transfer of funds from India to Nepal. This is known as the Indo-Nepal Remittance Facility Scheme. A remitter can transfer funds from any of the NEFT-enabled branches in to Nepal, irrespective of whether the beneficiary in Nepal maintains an account with a bank branch in Nepal or not. The beneficiary would receive funds in Nepalese Rupees. Further details on the Indo-Nepal Remittance Facility Scheme are available on the website of Reserve Bank of India

Q.5. Is there any limit on the amount that could be transferred using NEFT?

Ans: No. There is no limit – either minimum or maximum – on the amount of funds that could be transferred using NEFT. However, maximum amount per transaction is limited to Rs.50,000/- for cash-based remittances and remittances to Nepal.

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Q.7. Whether the system is centre specific or has any geographical restriction?

Ans: No. There is no restriction of centres or of any geographical area within the country. The NEFT system takes advantage of the core banking system in banks. Accordingly, the settlement of funds between originating and receiving banks takes places centrally at Mumbai, whereas the branches participating in NEFT can be located anywhere across the length and breadth of the country.

Q.6. What are the operating hours of NEFT?

Ans : Presently, NEFT operates in hourly batches - there are twelve settlements from 8 am to 7 pm on week days (Monday through Friday) and six settlements from 8 am to 1 pm on Saturdays.

Q.7. How does the NEFT system operate?

Step-1 : An individual / firm / corporate intending to originate transfer of funds through NEFT has to fill an application form providing details of the beneficiary (like name of the beneficiary, name of the bank branch where the beneficiary has an account, IFSC of the beneficiary bank branch, account type and account number) and the amount to be remitted. The application form will be available at the originating bank branch. The remitter authorizes his/her bank branch to debit his account and remit the specified amount to the beneficiary. Customers enjoying net banking facility offered by their bankers can also initiate the funds transfer request online. Some banks offer the NEFT facility even through the ATMs. Walk-in customers will, however, have to give their contact details (complete address and telephone number, etc.) to the branch. This will help the branch to refund the money to the customer in case credit could not be afforded to the beneficiary's bank account or the transaction is rejected / returned for any reason.

Step-2 : The originating bank branch prepares a message and sends the message to its pooling centre (also called the NEFT Service Centre).

Step-3 : The pooling centre forwards the message to the NEFT Clearing Centre (operated by National Clearing Cell, Reserve Bank of India, Mumbai) to be included for the next available batch.

Step-4 : The Clearing Centre sorts the funds transfer transactions destination bank-wise and prepares accounting entries to receive funds from the originating banks (debit) and give the funds to the destination banks(credit). Thereafter, bank-wise remittance messages are forwarded to the destination banks through their pooling centre (NEFT Service Centre).

Step-5 : The destination banks receive the inward remittance messages from the Clearing Centre and pass on the credit to the beneficiary customers' accounts.

Q.8. What is IFSC?

Ans : IFSC or Indian Financial System Code is an alpha-numeric code that uniquely identifies a bank-branch participating in the NEFT system. This is an 11 digit code with the first 4 alpha characters representing the bank, and the last 6 characters representing the branch. The 5th

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character is 0 (zero). IFSC is used by the NEFT system to identify the originating / destination banks / branches and also to route the messages appropriately to the concerned banks / branches.

Q.9. How can the IFSC of a bank-branch be found?

Ans: Bank-wise list of IFSCs is available with all the bank-branches participating in NEFT.List of bank-wise branches participating in NEFT and their IFSCs is available on the website of Reserve Bank of India . All the banks have also been advised to print the IFSC of the branch on cheques issued to their customers. For net banking customers many banks have enabled online search / pop-up of the IFSC of the destination bank branch.

Further, banks have also been advised to ensure that their branch staff provide necessary assistance to customers in filling out the required details, including IFSC details, in the NEFT application form, and also help in ensuring that there is no mismatch between the IFSC code and branch details of beneficiary branch as provided by the customer.

Q.10. What are the processing or service charges for NEFT transactions?

Ans: The structure of charges that can be levied on the customer for NEFT is given below:

a) Inward transactions at destination bank branches (for credit to beneficiary accounts)
– Free, no charges to be levied from beneficiaries

b) Outward transactions at originating bank branches – charges applicable for the remitter

- For transactions up to Rs 10,000 : not exceeding Rs 2.50 (+ Service Tax)
- For transactions above Rs 10,000 up to Rs 1 lakh: not exceeding Rs 5 (+ Service Tax)
- For transactions above Rs 1 lakh and up to Rs 2 lakhs: not exceeding Rs 15 (+ Service Tax)
- For transactions above Rs 2 lakhs: not exceeding Rs 25 (+ Service Tax)

c) Charges applicable for transferring funds from India to Nepal using the NEFT system (under the Indo-Nepal Remittance Facility Scheme) is available on the website of RBI With effect from 1st July 2011, originating banks are required to pay a nominal charge of 25 paise each per transaction to the clearing house as well as destination bank as service charge. However, these charges cannot be passed on to the customers by the banks.

Q.11. When can the beneficiary expect to get the credit to his bank account?

Ans: The beneficiary can expect to get credit for the first ten batches on week days (i.e., transactions from 8 am to 5 pm) and the first five batches on Saturdays (i.e., transactions from 8 am to 12 noon) on the same day. For transactions settled in the last two batches on week days (i.e., transactions settled in the 6 and 7 pm batches) and the last batch on Saturdays (i.e., transactions handled in the 1 pm batch) beneficiaries can expect to get credit either on the same day or on the next working day morning (depending on the type of facility enjoyed by the beneficiary with his bank).

Q.12. Who should be contacted in case of non-credit or delay in credit to the beneficiary account?

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Ans: In case of non-credit or delay in credit to the beneficiary account, the NEFT Customer Facilitation Centre (CFC) of the respective bank can be contacted (the remitter can contact his bank's CFC; the beneficiary may contact the CFC of his bank). Details of NEFT Customer Facilitation Centres of banks are available on the websites of the respective banks. The details are also available on the website of Reserve Bank of India

If the issue is not resolved satisfactorily, the NEFT Help Desk (or Customer Facilitation Centre of Reserve Bank of India) at National Clearing Cell, Reserve Bank of India, Mumbai may be contacted through e-mail or by addressing correspondence to the General Manager, Reserve Bank of India, National Clearing Centre, First Floor, Free Press House, Nariman Point, Mumbai – 400 021.

Q.13. What will happen if credit is not afforded to the account of the beneficiary?

Ans: If it is not possible to afford credit to the account of the beneficiary for whatever reason, destination banks are required to return the transaction (to the originating branch) within two hours of completion of the batch in which the transaction was processed.

For example, if a customer submits a fund transfer request at 12.05 p.m. to a NEFT-enabled branch, the branch in turn forwards the message through its pooling centre to the NEFT Clearing Centre for processing in the immediately available batch which (say) is the 1.00 pm batch. If the destination bank is unable to afford the credit to the beneficiary for any reason, it has to return the transaction to the originating bank, not later than in the 3.00 pm batch. On receiving such a returned transaction, the originating bank has to credit the amount back to account of the originating customer. To conclude, for all uncredited transactions, customers can reasonably expect the funds to be received back by them in around 3 to 4 hours time.

Q.14. Can NEFT be used to transfer funds from / to NRE and NRO accounts?

Ans: Yes. NEFT can be used to transfer funds from or to NRE and NRO accounts in the country. This, however, is subject to the adherence of the provisions of the Foreign Exchange Management Act, 2000 (FEMA) and Wire Transfer Guidelines.

Q.15. Can remittances be sent abroad using NEFT?

Ans: No. However, a facility is available to send outward remittances to Nepal under the Indo-Nepal Remittance Facility Scheme.

Q.16. What are the other transactions that could be initiated using NEFT?

Ans: Besides personal funds transfer, the NEFT system can also be used for a variety of transaction including payment of credit card dues to the card issuing banks. It is necessary to quote the IFSC of the beneficiary card issuing bank to initiate the bill payment transactions using NEFT.

Q.17. Can a transaction be originated to draw (receive) funds from another account?

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Ans : No. NEFT is a credit-push system i.e., transactions can be originated only to transfer / remit funds to a beneficiary.

Q.18. Would the remitter receive an acknowledgement once the funds are transferred to the account of the beneficiary?

Ans: Yes. In case of successful credit to the beneficiary's account, the bank which had originated the transaction is expected to send a confirmation to the originating customer (through SMS or e-mail) advising of the credit as also mentioning the date and time of credit. For the purpose, remitters need to provide their mobile number / e-mail-id to the branch at the time of originating the transaction.

Q.19. Is there a way for the remitter to track a transaction in NEFT?

Ans: Yes, the remitter can track the NEFT transaction through the originating bank branch or its CFC using the unique transaction reference number provided at the time of initiating the funds transfer. It is possible for the originating bank branch to keep track and be aware of the status of the NEFT transaction at all times.

Q.20. What are the pre-requisites for originating a NEFT transaction?

Ans : Following are the pre-requisites for putting through a funds transfer transaction using NEFT –

- Originating and destination bank branches should be part of the NEFT network
- Beneficiary details such as beneficiary name, account number and account type, name and IFSC of the beneficiary bank branch should be available with the remitter
- For net banking customers, some banks provide the facility to automatically pop-up the IFSC once name of the destination bank and branch is highlighted / chosen / indicated / keyed in.

Q.21. What are the benefits of using NEFT?

Ans: *NEFT offers many advantages over the other modes of funds transfer:*

- The remitter need not send the physical cheque or Demand Draft to the beneficiary.
- The beneficiary need not visit his / her bank for depositing the paper instruments.
- The beneficiary need not be apprehensive of loss / theft of physical instruments or the likelihood of fraudulent encashment thereof.
- Cost effective.
- Credit confirmation of the remittances sent by SMS or email.
- Remitter can initiate the remittances from his home / place of work using the internet banking also.
- Near real time transfer of the funds to the beneficiary account in a secure manner.

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RTGS

Q1. What is RTGS System?

Ans. The acronym 'RTGS' stands for Real Time Gross Settlement, which can be defined as the continuous (real-time) settlement of funds transfers individually on an order by order basis (without netting). 'Real Time' means the processing of instructions at the time they are received rather than at some later time; 'Gross Settlement' means the settlement of funds transfer instructions occurs individually (on an instruction by instruction basis). Considering that the funds settlement takes place in the books of the Reserve Bank of India, the payments are final and irrevocable.

Q2. How RTGS is different from National Electronics Funds Transfer System (NEFT)?

Ans. NEFT is an electronic fund transfer system that operates on a Deferred Net Settlement (DNS) basis which settles transactions in batches. In DNS, the settlement takes place with all transactions received till the particular cut-off time. These transactions are netted (payable and receivables) in NEFT whereas in RTGS the transactions are settled individually. For example, currently, NEFT operates in hourly batches. [There are twelve settlements from 8 am to 7 pm on week days and six settlements from 8 am to 1 pm on Saturdays.] Any transaction initiated after a designated settlement time would have to wait till the next designated settlement time Contrary to this, in the RTGS transactions are processed continuously throughout the RTGS business hours.

Q3. Is there any minimum / maximum amount stipulation for RTGS transactions?

Ans. The RTGS system is primarily meant for large value transactions. The minimum amount to be remitted through RTGS is ` 2 lakh. There is no upper ceiling for RTGS transactions.

Q4. What is the time taken for effecting funds transfer from one account to another under RTGS?

Ans. Under normal circumstances the beneficiary branches are expected to receive the funds in real time as soon as funds are transferred by the remitting bank. The beneficiary bank has to credit the beneficiary's account within 30 minutes of receiving the funds transfer message.

Q5. Would the remitting customer receive an acknowledgement of money credited to the beneficiary's account?

Ans. The remitting bank receives a message from the Reserve Bank that money has been credited to the receiving bank. Based on this the remitting bank can advise the remitting customer through SMS that money has been credited to the receiving bank.

Q6. Would the remitting customer get back the money if it is not credited to the beneficiary's account? When?

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Ans. Yes. Funds, received by a RTGS member for the credit to a beneficiary customer's account, will be returned to the originating RTGS member within one hour of the receipt of the payment at the PI of the recipient bank or before the end of the RTGS Business day, whichever is earlier, if it is not possible to credit the funds to the beneficiary customer's account for any reason e.g. account does not exist, account frozen, etc. Once the money is received back by the remitting bank, the original debit entry in the customer's account is reversed.

Q7. Till what time RTGS service window is available?

Ans. The RTGS service window for customer's transactions is available to banks from 9.00 hours to 16.30 hours on week days and from 9.00 hours to 14:00 hours on Saturdays for settlement at the RBI end. However, the timings that the banks follow may vary depending on the customer timings of the bank branches.

Q8. What about Processing Charges / Service Charges for RTGS transactions?

Ans With a view to rationalize the service charges levied by banks for offering funds transfer through RTGS system, a broad framework has been mandated as under:
a) Inward transactions – Free, no charge to be levied.
b) Outward transactions – ` 2 lakh to ` 5 lakh - not exceeding ` 30.00 per transaction;
Above ` 5 lakh – not exceeding ` 55.00 per transaction.

Q9. What is the essential information that the remitting customer would have to furnish to a bank for the remittance to be effected?

Ans. The remitting customer has to furnish the following information to a bank for initiating a RTGS remittance:

1. Amount to be remitted
2. Remitting customer's account number which is to be debited
3. Name of the beneficiary bank and branch
4. The IFSC Number of the receiving branch
5. Name of the beneficiary customer
6. Account number of the beneficiary customer
7. Sender to receiver information, if any

Q10. How would one know the IFSC number of the receiving branch?

Ans. The beneficiary customer can obtain the IFSC code from his bank branch. The IFSC code is also available on the cheque leaf. The list of IFSCs is also available on the RBI website . This code number and bank branch details can be communicated by the beneficiary to the remitting customer.

Q11. Do all bank branches in India provide RTGS service?

Ans. No. All the bank branches in India are not RTGS enabled. Presently, there are more than 100,000 RTGS enabled bank branches. The list of such branches is available on RBI website

Q12. Is there any way that a remitting customer can track the remittance transaction?

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Ans It would depend on the arrangement between the remitting customer and the remitting bank. Some banks with internet banking facility provide this service. Once the funds are credited to the account of the beneficiary bank, the remitting customer gets a confirmation from his bank either by an e-mail or SMS. Customer may also contact RTGS / NEFT Customer Facilitation Centres of the banks, for tracking a transaction.

Q13. Whom do I can contact, in case of non-credit or delay in credit to the beneficiary account?

Ans. Contact your bank / branch. If the issue is not resolved satisfactorily, complaint may be lodged to the Customer Service Department of RBI at -
The Chief General Manager
Reserve Bank of India
Customer Service Department
1st Floor, Amar Building, Fort
Mumbai – 400 001
Or send email

Q14. How can a remitting customer know whether the bank branch of the beneficiary accepts remittance through RTGS?

Ans. For a funds transfer to go through RTGS, both the sending bank branch and the receiving bank branch would have to be RTGS enabled. The lists are readily available at all RTGS enabled branches. Besides, the information is available at RBI website. Considering that more than 110,000 branches at more than 30,000 cities / towns / taluka places are covered under the RTGS system, getting this information would not be difficult.

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CHAPTER 4

National Income

Product has two types of cost

1. Factor cost
2. Market cost

National income first time calculated by Dadabhai naroji in 1867 and he wrote a book " Povery & Unbritish Rule in India"

National Income= Total income/ Total population

1931-32 Mr. V.K.R.V Rao calculated national Income second time.(First time by scientific way)

1949 National Income Committee headed by P.C Mahalanobis (Economist)

Note- 2nd five year model based on P.C Mahalanobis .

29th june is celebrated as National Statistical Day

The Base year for national Income is 2004-05

According to National Income Committee 1949 "national Income estimates measured in volume of goods and services, turned out during a given period counted without duplication."

Gross domestic product(GDP)- The total monetary value of all final goods and services produced ina geographical boundary in a financial year.

Gross Natioanl Product(GNP)- IN GDP, add the income earned by Nationals (people of India) in Foreign country andsubstract the income earned by foreigners within the country(India).

Net National Product (NNP)- calculated on goods and services

NNP= GNP- Depreciation

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CHAPTER 5

Inflation

Inflation-Inflation is a persistent increase in the general price level of goods and services in an economy over a period of time
In India for inflation measurement Base year is 2004-05.

Types of Inflation-

1. Demand pull inflation
2. Cost push Inflation
3. wages Inflation
4. Imported Inflation

1. Demand Pull Inflation- occurs demand for goods and services exceed the supply.

2. Cost Push Inflation- Price increse duw to increse in price of other products.

3. Wages Inflation- It occur due to increase in wages as a result purchasing power of people increase.

4. Imported Inflation- The general price level rises in a country because of the rise in prices of imported commodities.

Categories of Inflation-

1. Creeping Inflation- When there is a general rise in prices at very low rates, which is usually between 2-4 percent annually.

2. Walking Inflation - This type of strong, or pernicious, inflation is between 3-10% a year. It is harmful to the economy because it heats up economic growth too fast.

3. Galloping Inflation- When inflation rises to ten percent or greater, it wreaks absolute havoc on the economy. Money loses value so fast that business and employee income can't keep up with costs and prices.

4. Hyper Inflation- Hyperinflation is when the prices skyrocket more than 50% -- a month. It is fortunately very rare.

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Inflation Related Terms

1. Deflation- Deflation is the opposite of inflation -- it's when prices fall. It is caused by a reduction in the supply of money or credit .

2. Hyperinflation- Extremely rapid or out of control inflation. Hyper inflation is a situation where the price increses are so out of control that the concept of inflation is meaningless.

3. Stagflation- A condition of slow economic growth and relatively high unemployemnt- a time of stagnation- accompanied by a rise in rises , or inflation.

4. Disinflation- A slowing in the rate of price inflation. Disinflation is used to describe instances when the inflation rate has reduced marginally over the short term. It is used to describe periods of slow inflation.

5. Reflation- Reflation is the act of stimulating the economy by incresing the money supply or by reducing taxes. it is opposite of disinflation.

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CHAPTER 6

Budget and its types

Budget- Budget is the estimation of income and expenditure.
Budget is prepared for proper and systematic development.

Budget represent in 3 ways-
1. Income> expenditure= surplus
2. Income= expenditure= balance budget
3. Income< expenditure = deficit budget

Note- India's budget is always deficit because India is a developing country.

Sources of Money for Government-
1. Loan from RBI
2. Government securities
3. Loan from Asian development Bank and world bank

Categories of Budget-
1. Gender Budget
2. Zero base Budget
3. Outcome Budget
4. Traditional Budget
5. Performance Budget
6. Interim Budget

1. **Gender Budget**- When budget is female oriented is called gender budget.

2. **Zero base Budget**- When government form budget without considering last years budget performance that is called zero base budget.

3. **Outcome Budget**- When budget is result oriented(means particular sector growth related).

4. **Traditional Budget**- When income estimated and expenditure fixed is called Traditional budget.

5. **Performance Budget**- When government form budget with considering last year budget.

6. **Interim Budget**- Year 2014-15 budget is interim budget.
When government is not able to prepare budget for full year is called interim budget. Example in election times , in wars.
Interim Budget is for 4 months.

Note- First time budget was represented by Robert woolpoul in 1773 in U.K.
Bugat is a french word for Budget.

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In India under **Constitution Article 112** government present Union Budget. In constitution of India annual financial statement is mentioned not budget.

State Legislative Assemble present their budget by **article 202.**

India's First Budget was presented by James Wilson in 1860 when lord canning is viceroy of India.
In 1921 Edward committee recommend to divide budget in two parts-
1. Rail Budget
2. Union Budget

First Independent India's Budget presented by Mr. R. K kshadmugam chatti (it is first interim budget) in November 1947.
First Republic India's Budget presented byMr. John Mathei.

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CHAPTER 7

Banking Ombudsman, 2006

1. What is the Banking Ombudsman Scheme?
The Banking Ombudsman Scheme enables an expeditious and inexpensive forum to bank customers for resolution of complaints relating to certain services rendered by banks. The Banking Ombudsman Scheme is introduced under Section 35 A of the Banking Regulation Act, 1949 by RBI with effect from
1995.

2. Who is a Banking Ombudsman?
The Banking Ombudsman is a senior official appointed by the Reserve Bank of India to redress customer complaints against deficiency in certain banking services.

3. How many Banking Ombudsmen have been appointed and where are they located?
As on date, fifteen Banking Ombudsmen have been appointed with their offices located mostly in state capitals. The addresses and contact details of the Banking Ombudsman offices have been provided in the annex.

4. Which are the banks covered under the Banking Ombudsman Scheme, 2006?
All Scheduled Commercial Banks, Regional Rural Banks and Scheduled Primary Co-operative Banks are covered under the Scheme.

5. When can one file a complaint?
One can file a complaint before the Banking Ombudsman if the reply is not received from the bank within a period of one month after the bank concerned has received one s representation, or the bank rejects
the complaint, or if the complainant is not satisfied with the reply given by the bank.

6. Where can one lodge his/her complaint?
One may lodge his/ her complaint at the office of the Banking Ombudsman under whose jurisdiction, the bank branch complained against is situated. For complaints relating to credit cards and other types of services with centralized operations, complaints may be filed before the Banking Ombudsman within whose territorial jurisdiction the billing address of the customer is located. Address and area of operation of the banking ombudsmen are provided in the annex.

7. Can a complaint be filed by one s authorized representative?
Yes. The complainant can be filed by one s authorized representative (other than an advocate).

8. Is there any cost involved in filing complaints with Banking Ombudsman?

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No, The Banking Ombudsman does not charge any fee for filing and resolving customers' complaints.

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CHAPTER 8

MONEY

Money is a thing that is usually accepted as payment for goods and services as well as for the repayment of debts.

Types of Money
Commodity Money -
Commodity money value is derived from the commodity out of which it is made. The commodity itself represents money and the money is the commodity. For instance, commodities that have been used as mediums of exchange include gold, silver, copper, salt, peppercorns, rice, large stones, etc.

Representative Money -
Representative Money includes token coins, or any other physical tokens like certificates, that can be reliably exchanged for a fixed amount/quantity of a commodity like gold or silver.

Fiat Money -
Fiat money, also known as fiat currency is the money whose value is not derived from any intrinsic value or any guarantee that it can be converted into valuable commodity (like gold). Instead, it
derives value only based on government order (fiat).

Commercial Bank Money -
Commercial bank money or the demand deposits are claims against financial institutions which can be used for purchasing goods and services.

Narrow and Broad Money -
Money supply, like money demand, is a stock variable. The total stock of money in circulation among the public at a particular point of time is called money supply. RBI publishes figures for four
alternative measures of money supply, viz. M1, M2, M3 and M4.
They are defined as follows -
M1 = CU + DD
M2 = M1 + Savings deposits with Post Office savings banks
M3 = M1 + Net time deposits of commercial banks
M4 = M3 + Total deposits with Post Office savings organisations
(excluding National Savings Certificates) where, CU is currency (notes plus coins) held by the public and DD is net demand deposits held by commercial banks. The word _net‘ implies that

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only deposits of the public held by the banks are to be included in money supply.
The interbank deposits, which a commercial bank holds in other commercial banks, are not to be regarded as part of money supply.
M1 and M2 are known as narrow money. M3 and M4 are known as broad money.These gradations are in decreasing order of liquidity. M1 is most liquid and easiest for transactions whereas
M4 is least liquid of all. M3 is the most commonly used measure of money supply. It is also known as aggregate monetary resources.

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CHAPTER 9

Money Market

A money market is a market for borrowing and lending of short-term funds. It deals in funds and financial instruments having a maturity period of one day to one year. It is a mechanism through which short-term funds are loaned or borrowed and through which a large part of financial transactions of a particular country or of the world are cleared.

It is not a single market but a collection of markets for several instruments like call money market, Commercial bill market etc. The Reserve Bank of India is the most important constituent of Indian money market

In money market the players are :-Government, RBI, DFHI (Discount and finance House of India) Banks, Mutual Funds, Corporate Investors, Provident Funds, PSUs (Public Sector Undertakings), NBFCs (Non-Banking Finance Companies) etc.

STRUCTURE OF INDIAN MONEY MARKET

Organised Sector	Unorganised Sector
Call and Notice Money Market	Indigenous Bankers
Treasury Bill Market	Money Lenders
Commercial Bills	NBFI
Certificate of Deposits	
Commercial Papers	
Money Market Mutual Funds	
The REPO Market	
DFHI	

Organised Sector Of Money Market :-

Organised Money Market is not a single market, it consist of number of markets. The most important feature of money market instrument is that it is liquid. It is characterised by high degree of safety of principal. Following are the instruments which are traded in money market

1) Call And Notice Money Market :-

The market for extremely short-period is referred as call money market. Under call money market, funds are transacted on overnight basis. The participants are mostly banks. Therefore it is also called Inter-Bank Money Market. Under notice money market funds are transacted for 2 days and 14 days period. The lender issues a notice to the borrower 2 to 3 days before the funds are to be paid. On receipt of notice, borrower have to repay the funds.

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2) Treasury Bill Market (T - Bills) :-

This market deals in Treasury Bills of short term duration issued by RBI on behalf of Government of India. At present three types of treasury bills are issued through auctions, namely 91 day, 182 day and364day treasury bills. State government does not issue any treasury bills. Interest is determined by market forces. Treasury bills are available for a minimum amount of Rs. 25,000 and in multiples of Rs. 25,000. Periodic auctions are held for their Issue. Commercial Banks, Primary Dealers, Mutual Funds, Corporates, Financial Institutions, Provident or Pension Funds and Insurance Companies can participate in T-bills market.

3) Commercial Bills :-

Commercial bills are short term, negotiable and self liquidating money market instruments with low risk. A bill of exchange is drawn by a seller on the buyer to make payment within a certain period of time. Generally, the maturity period is of three months. Commercial bill can be resold a number of times during the usance period of bill.

4) Certificate Of Deposits (CDs) :-

CDs are issued by Commercial banks and development financial institutions. CDs are unsecured, negotiable promissory notes issued at a discount to the face value. The scheme of CDs was introduced in 1989 by RBI. The main purpose was to enable the commercial banks to raise funds from market. At present, the maturity period of CDs ranges from 3 months to 1 year. They are issued in multiples of Rs. 25 lakh subject to a minimum size of Rs. 1 crore. CDs can be issued at discount to face value. They are freely transferable but only after the lock-in-period of 45 days after the date of issue.

5) Commercial Papers (CP) :-

. Commercial Papers were introduced in January 1990. The Commercial Papers can be issued by listed company which have working capital of not less than Rs. 5 crores. They could be issued in multiple of Rs. 25 lakhs. The minimum size of issue being Rs. 1 crore. At present the maturity period of CPs ranges between 7 days to 1 year. CPs are issued at a discount to its face value and redeemed at its face value.

6) Money Market Mutual Funds (MMMFs) :-

A Scheme of MMMFs was introduced by RBI in 1992. The goal was to provide an additional short-term avenue to individual investors. In November 1995 RBI made the scheme more flexible. The existing guidelines allow banks, public financial institutions and also private sector institutions to set up MMMFs. The ceiling of Rs. 50 crores on the size of MMMFs stipulated earlier, has been withdrawn. MMMFs are allowed to issue units to corporate enterprises and others on par with other mutual funds. Resources mobilised by MMMFs are now required to be invested in call money, CD, CPs, Commercial Bills arising out of genuine trade transactions, treasury bills and government dated securities having an unexpired maturity upto one year. Since

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March 7, 2000 MMMFs have been brought under the purview of SEBI regulations. At present there are 3 MMMFs in operation.

7) The Repo Market ;-

Repo was introduced in December 1992. Repo is a repurchase agreement. It means selling a security under an agreement to repurchase it at a predetermined date and rate. Repo transactions are affected between banks and financial institutions and among bank themselves, RBI also undertake Repo.

8) Discount And Finance House Of India (DFHI)

In 1988, DFHI was set up by RBI. It is jointly owned by RBI, public sector banks and all India financial institutions which have contributed to its paid up capital.It is playing an important role in developing an active secondary market in Money Market Instruments.

II. Unorganised Sector Of Money Market :-

The economy on one hand performs through organised sector and on other hand in rural areas there is continuance of unorganised, informal and indigenous sector. The main constituents of unorganised money market are:-

1) Indigenous Bankers (IBs)

Indigenous bankers are individuals or private firms who receive deposits and give loans and thereby operate as banks. IBs accept deposits as well as lend money. They mostly operate in urban areas, especially in western and southern regions of the country.

2) Money Lenders (MLs)

They are those whose primary business is money lending. Money lending in India is very popular both in urban and rural areas. Interest rates are generally high. Large amount of loans are given for unproductive purposes.

3) Non - Banking Financial Companies (NBFCs)

They consist of :-

1. Chit Funds

Chit funds are savings institutions. It has regular members who make periodic subscriptions to the fund. The beneficiary may be selected by drawing of lots. Chit fund is more popular in Kerala and Tamilnadu.

2. Nidhis :-

Nidhis operate as a kind of mutual benefit for their members only. The loans are given to members at a reasonable rate of interest. Nidhis operate particularly in South India.

3. Loan Or Finance Companies

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Loan companies are found in all parts of the country. Their total capital consists of borrowings, deposits and owned funds. They give loans to retailers, wholesalers, artisans and self employed persons. They offer a high rate of interest along with other incentives to attract deposits. They charge high rate of interest varying from 36% to 48% p.a.

4. Finance Brokers

They are found in all major urban markets specially in cloth, grain and commodity markets. They act as middlemen between lenders and borrowers. They charge commission for their services.

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CHAPTER 10

CAPITAL MARKET :-

Capital market deals with medium term and long term funds. It refers to all facilities and the institutional arrangements for borrowing and lending term funds (medium term and long term). The demand for long term funds comes from private business corporations, public corporations and the government. The supply of funds comes largely from individual and institutional investors, banks and special industrial financial institutions and Government.

B) STRUCTURE I CONSTITUENTS I CLASSIFICATION OF CAPITAL MARKET :-

Capital market is classified in two ways

1) CAPITAL MARKET IN INDIA

a) Gilt - Edged Market
b) Industrial Securities Market
c) Development Financial Institutions
d) Financial Intermediaries

a) Gilt - Edged Market :-

Gilt - Edged market refers to the market for government and semi-government securities, which carry fixed rates of interest. RBI plays an important role in this market.

b) Industrial Securities Market :-

It deals with equities and debentures in which shares and debentures of existing companies are traded and shares and debentures of new companies are bought and sold.

c) Development Financial Institutions :-

Development financial institutions were set up to meet the medium and long-term requirements of industry, trade and agriculture. These are IFCI, ICICI, IDBI, SIDBI, IRBI, UTI, LIC, GIC etc. All These institutions have been called Public Sector Financial Institutions.

d) Financial Intermediaries :-

Financial Intermediaries include merchant banks, Mutual Fund, Leasing companies etc. they help in mobilizing savings and supplying funds to capital market.

2) The Second way in which capital market is classified is as follows :-
CAPITAL MARKET IN INDIA

Primary market
Secondary market

a) Primary Market :-

Primary market is the new issue market of shares, preference shares and debentures of non-government public limited companies and issue of public sector bonds.

b) Secondary Market

This refers to old or already issued securities. It is composed of industrial security market or stock exchange market and gilt-edged market.

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CHAPTER 11

Banks And their Headquarters

Banks	Headquarters
Delhi	Punjab National bank Punjab and sind bank Bharatiya Mahilla Bank Oriental Bank of Commerce(Gurgaon)
Mumbai	Bank of India Union Bank IDBI ECGC Dena Bank Central Bank of India
Bangalore	Canara Bank Vijaya Bank Syndicate bank(Manipal) Corporation Bank(Mangalore)
Kolkata	Uco bank Allahabad bank United Bank
Vadodara	Bank Of Baroda
Chennai	Indian Overseas Bank Indian Bank
Pune	Bank of Maharshtra

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CHAPTER 12

Public sector Banks and Their Taglines

State Bank Group- Pure banking nothing else;

Allahabad Bank- A tradition of trust

Andhra Bank Much more to do, with YOU in focus

Bank of Baroda- India's international bank

Bank of India- Relationships beyond banking

Bank of Maharashtra - One family one bank

Canara Bank - Together We Can

Central Bank of India- Build A Better Life Around Us

Corporation Bank- Prosperity for All

Dena Bank- Trusted Family Bank

IDBI Bank- Banking for All

Indian Bank- Taking banking technology to the common man

Indian Overseas Bank- Good people to grow with

Oriental Bank of Commerce- Where every individual is committed

Punjab National Bank- A Name you can Bank Upon

Syndicate Bank- Your faithful & friendly financial partner

UCO Bank- Honours Your Trust

Union Bank of India- Good People to Bank with

United Bank of India- The Bank that begins with U

Vijaya Bank- A Friend You can Bank Upon

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CHAPTER 13

National Stock Exchange of India

Established in November 1990

Got recognition as a stock exchange from government in April 1993

In October 1995 it became the largest stock exchange of India

In June 1996 Settlement Guarantee Fund Established

Bombay Stock Exchange

Established in 1875, BSE Ltd. (formerly known as Bombay Stock Exchange Ltd.), is Asia's first Stock Exchange and one of India's leading exchange groups. Over the past 137 years, BSE has facilitated the growth of the Indian corporate sector by providing it an efficient capital-raising platform. Popularly known as BSE, the bourse was established as "The Native Share & Stock Brokers' Association" in 1875. BSE is a corporatized and demutualised entity, with a broad shareholder-base which includes two 86 leading global exchanges, Deutsche Bourse and Singapore Exchange as strategic partners. BSE provides an efficient and transparent market for trading in equity, debt instruments, derivatives, mutual funds. It also has a platform for trading in equities of small-and-medium enterprises (SME).

DEMATERIALISATION

Dematerialisation is the process by which a client can get physical certificates converted into electronic balances. An investor intending to dematerialise its securities needs to have an account with a DP. The client has to deface and surrender the certificates registered in its name to the DP. After intimating NSDL electronically, the DP sends the securities to the concerned Issuer/ R&T agent. NSDL in turn informs the Issuer/ R&T agent electronically, using NSDL Depository system, about the request for dematerialisation. If the Issuer/ R&T agent finds the certificates in order, it registers NSDL as the holder of the securities (the investor will be the beneficial owner) and communicates to NSDL the confirmation of request electronically. On receiving such confirmation, NSDL credits the securities in the depository account of the Investor with the DP. Demat Account means an account in the dematerialized form having only digital documents.

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CHAPTER 14

Financial Organisations in India

The following are some of the Financial Institutions of India.

3. INDUSTRIAL FINANCE CORPORATION OF INDIA

At the time of independence in 1947, India's capital market was relatively under-developed. Although there was significant demand for new capital, there was a dearth of providers. Merchant bankers and underwriting firms were almost non-existent and commercial banks were not equipped to provide long-term industrial finance in any significant manner. It is against this backdrop that the government established The Industrial Finance Corporation of India (IFCI) on July 1, 1948, as the first Development Financial Institution in the country to cater to the long-term finance needs of the industrial sector. The newly-established DFI was provided access to low-cost funds through the central bank's Statutory Liquidity Ratio or SLR which in turn enabled it to provide loans and advances to corporate borrowers at concessional rates.

By the early 1990s, it was recognized that there was need for greater flexibility to respond to the changing financial system. It was also felt that IFCI should directly access the capital markets for its funds

SEBI- Securities and Exchange Board of India

Securities and Exchange Board of India (SEBI) was established by Government of India through an executive resolution in the year 1988. SEBI was subsequently upgraded as a fully autonomous body in 1992 with the passing of the Securities and Exchange Board of India Act (SEBI Act) on 30th January 1992. In the year 1995, the SEBI was given additional statutory power by the Government of India through an amendment to the securities and Exchange Board of India Act 1992.

1. The headquarter of SEBI is located in the business district of Bandra-Kurla complex in Mumbai.
2. The Chairman of SEBI – Upendra Kumar Sinha (UK Sinha)
3. The Whole Time Member of SEBI- Prashant Saran
4. The firstchairman of SEBI was – Dr. S. A. Dave
5. SEBI deals with – the issuers of securities,the investors and the market intermediaries.

Basic Objective of SEBI -
1. To Promote the interests of investors in securities
2. To promote the development of Securities Market
3. To regulate the securities market
4. For matters connected therewith or incidental thereto.

4. NABARD

National Bank for Agriculture and Rural Development

Headquarters in Mumbai

Headquarters	Mumbai, Maharashtra, India
Established	12 July 1982
Chairman	Dr. Harsh Kumar Bhanwala
Currency	₹(Rupees)
Reserves	Rs.81,220 crore (2007)
Website	www.nabard.org

NABARD is the apex development bank in India

National Bank for Agriculture and Rural Development (**NABARD**) is an apex development bank in India having headquarters based in Mumbai (Maharashtra) and other branches are all over the country. The Committee to Review Arrangements for Institutional Credit for Agriculture and Rural Development (CRAFICARD), set up by the Reserve Bank of India (RBI) under the Chairmanship of Shri B. Sivaraman, conceived and recommended the establishment of the National Bank for Agriculture and Rural Development (NABARD). It was established on 12 July 1982 by a special act by the parliament and its main focus was to uplift rural India by increasing the credit flow for elevation of agriculture & rural non farm sector and completed its 25 years on 12 July 2007. It has been accredited with "matters concerning policy, planning and operations in the field of credit for agriculture and other economic activities in rural areas in India". RBI sold its stake in NABARD to the Government of India, which now holds 99% stake. NABARD is active in developing financial inclusion policy and is a member of the Alliance for Financial Inclusion.

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Role

NABARD is the apex institution in the country which looks after the development of the cottage industry, small industry and village industry, and other rural industries. NABARD also reaches out to allied economies and supports and promotes integrated development. And to help NABARD discharge its duty, it has been given certain roles as follows:

1. Serves as an apex financing agency for the institutions providing investment and production credit for promoting the various developmental activities in rural areas
2. Takes measures towards institution building for improving absorptive capacity of the credit delivery system, including monitoring, formulation of rehabilitation schemes, restructuring of credit institutions, training of personnel, etc.
3. Co-ordinates the rural financing activities of all institutions engaged in developmental work at the field level and maintains liaison with Government of India, State Governments, Reserve Bank of India (RBI) and other national level institutions concerned with policy formulation
4. Undertakes monitoring and evaluation of projects refinanced by it.
5. NABARD refinances the financial institutions which finances the rural sector.
6. The institutions which help the rural economy, NABARD helps develop.
7. NABARD also keeps a check on its client institutes.
8. It regulates the institution which provides financial help to the rural economy.
9. It provides training facilities to the institutions working the field of rural upliftment.
10. It regulates the cooperative banks and the RRB's, and manages talent acquisition through IBPS CWE

5. SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA (SIDBI)

- SIDBI, as a subsidiary of IDBI, commenced its operations from April 2, 1990. (Act passed in Oct 1989)
- ts headquarters is at Lucknow.
- Main objective: to ensure larger flow of financial and non-financial assistance to the small scale sector.
-
- **Thrust on**
- Initiating steps for technological up gradation and modernization of existing units.
- Expanding the channels for marketing the products of SSI Sector in domestic and overseas market.
- Promotion of employment oriented industries especially in semi urban areas to create more employment opportunities
- **Major Activities**: Refinance of loan and advances, discounting and rediscounting of bills, extension of seed capital/soft loans, granting direct assistance, providing services like factoring, leasing and so on.

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5. THE INDUSTRIAL CREDIT AND INVESTMENT CORPORATION OF INDIA

ICICI was formed in 1955 at the initiative of the World Bank, the Government of India and representatives of Indian industry. The principal objective was to create a development financial institution for providing medium-term and long-term project financing to Indian businesses. In the 1990s, ICICI transformed its business from a development financial institution offering only project finance to a diversified financial services group offering a wide variety of products and services, both directly and through a number of subsidiaries and affiliates like ICICI Bank. In 1999, ICICI become the first Indian company and the first bank or financial institution from non-Japan Asia to be listed on the NYSE.

After consideration of various corporate structuring alternatives in the context of the emerging competitive scenario in the Indian banking industry, and the move towards universal banking, themanagements of ICICI and ICICI Bank formed the view that the merger of ICICI with ICICI Bank would be the optimal strategic alternative for both entities, and would create the optimal legal structure for the ICICI group's universal banking strategy. The merger would enhance value for ICICI shareholders through the merged entity's access to low-cost deposits, greater opportunities for earning fee-based income and the ability to participate in the payments system and provide transaction-banking services. The merger would enhance value for ICICI Bank shareholders through a large capital base and scale of operations, seamless access to ICICI's strong corporate relationships built up over five decades, entry into new business segments, higher market share in various business se segments, particularly fee-based services, and access to the vast talent pool of ICICI and its subsidiaries. In October 2001, the Boards of Directors of ICICI and ICICI Bank approved the merger of ICICI and two of its wholly-owned retail finance subsidiaries, ICICI Personal Financial Services Limited and ICICI Capital Services Limited, with ICICI Bank. The merger was approved by shareholders of ICICI and ICICI Bank in January 2002, by the High Court of Gujarat at Ahmedabad in March 2002, and by the High Court of Judicature at Mumbai and the Reserve Bank of India in April 2002. Consequent to the merger, the ICICI group's financing and banking operations, both wholesale and retail, have been integrated in a single entity.

6. STATE FINANCIAL CORPORATION'S (SFC'S)

State State Financial Corporations are was set up in 1952 In order to provide medium and long term credit to industrial undertakings, which fall outside the normal activities of Commercial Banks. These are the state-level organizations, which provide term finance to medium- and small-scale industries. Here are some important facts about SFCs.

Its share capital contributed by the state govts, IDBI, scheduled banks, insurance companies and others.

Control of SFCs is shared by the state government and the IDBI.

These are helpful in ensuring balanced regional development, higher investment, more employment generation and broad ownership of industries.

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At present, there are 18 SFCs.

Source of finance: bonds, debentures and borrowings from the IDBI, state government and SIDBI.

Provide financial assistance in all the four major forms, namely loans and advances, subscription to shares and debentures, underwriting of new issues, and guarantee of loans from third parties and deferred payments.

The bulk of the SFC finance (about 90%) is made available in the form of loans and advances.

Liberal assistance is given to technician entrepreneurs and to industrial units in specified backward areas on concessional terms.

The operation of the SFCs suffers from a very high ratio of overdues/defaults, excessive concentration of loan finance, weak promotional role, and delays in sanctioning arid disbursing assistance.

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CHAPTER 15

Taxing System in India

Tax Structure in India India has a well maintained tax structure that clearly differentiate authority between Central, State, and Local Bodies. As the Indian Constitution is quasi federal, the country has three tier government comprising Central Government, the State Government, and the Local Governments. Central Government levy taxes on income, custom duties, service tax, and service tax. State government levy Stamp Duty, Value Added Tax (VAT), state excise, land revenue and profession tax. And Local Government can levy tax on octroi, properties, and utilities like water, electricity and so on. Indian government has broadly classified the taxes in two types, which are mentioned below:

DIRECT TAX

Direct Taxes are those taxes whose burden to the pay the tax directly lays on the tax payer. It is generally imposed on individual person or property. Direct taxes accounts for more than half of the total tax revenue of the central Government. It includes income tax, wealth tax, house tax etc.

Taxes on Wealth and Income The central government levies a number of taxes on income and wealth of which only personal income tax and corporation tax are important.

Personal Income Tax: It is levied on the incomes of individual, Hindu Families, unregistered firms and other association of people. For taxation purposes, income from all sources is added.

Corporation Tax: Corporation Tax is levied on the income of registered companies and corporations. The rationale for the corporation tax is that a joint stock company has a separate entity and thus a separate tax different from personal income tax has to be levied on its income.

Taxes on Wealth & Capital The taxes which have been levied on wealth and capital are mainly three: estate duty, annual tax on wealth, and gift tax

☐ **Estate Duty:** It was first introduced in India in 1953. It was levied on total property passing on the death of the person. The whole property of deceased constituted the estate and was considered liable to pay the estate duty.

Annual Tax on Wealth: it was first introduced in May 1957 on the recommendation of Kaldor. It is levied on the excess of net wealth over exemption of individual, Joint Hindu Families and companies.

Gift Tax was first introduced in the year 1958. It was treated as complementary to the estate duty and annual tax on wealth. The gift tax was leviable on all donations except the one given by charitable, Government Companies and private companies.

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INDIRECT TAX

Indirect Taxes are those taxes, which are collected from intermediary from the individual who bears the ultimate economic burden of tax. In other words, it is the tax whose liability to pay is one person and burden to pay is other individual. Indirect Tax includes sales tax, value added tax, entertainment tax and so on. Some of them are mentioned below:

Custom Duties -While using its constitutional power, the central government levies duties on both import and exports. Import duties in India are generally levied on advalorem basis which implies that they are determined as certain percentage of the price of commodity.

Excise Duties An excise duty is in true sense a commodity tax because it is levied on production and has absolutely no connection with its actual sale. Excise duties on commodities other than alcoholic liquor and narcotics are levied by the central government

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CHAPTER 16

Negotiable Instruments Act

In India, the Negotiable Instruments Act was passed during 1881 and came into force w.e.f Mar 1, 1882. It has 142 sections and 17 Chapters (Section 138 and 142 were added in 1988 and these Section came into effect wef Apr 1, 1989). This Act is applicable to whole India.

Negotiable Instruments (NI)

An NI means and includes promissory note, bill of exchange and cheque payable to order or bearer.

IMPORTANT CHARACTERISTICS OF NEGOTIABLE INSTRUMENTS

Following are the important characteristics of negotiable instruments:

(1) The holder of the instrument is presumed to be the owner of the property contained in it.

(2) They are freely transferable.

(3) A holder in due course gets the instrument free from all defects of title of any previous holder.

(4) The holder in due course is entitled to sue on the instrument in his own name.

(5) The instrument is transferable till maturity and in case of cheques till it becomes stale (on the expiry of 6 months from the date of issue). (6) Certain equal presumptions are applicable to all negotiable instruments unless the contrary is proved. Originally these three instruments were included in NI Act and the following instruments are considered as NIs due to usage, practice and various judgments of courts:

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CHAPTER 17

Important Committees

List of Committees Name of committee	Subject
Bhagwati Committee	Public Welfare
Bhagwati Committee	Unemployment
Bhide Committee	Co-ordination between commercial banks and SFCs
AK Bhuchar Committee	Co-ordination between term lending institutions and commercial banks.
Bothalingam Committee	Wage, Income and Prices
Sukhmoy Chakravarty Committee	To review the working of the monetary system
Raja Chelliah Committee	Tax reforms
Cheshi Committee	Direct Taxes
SC Chokshi Committee	Direct Tax Law
KB Chore Committee	To review the system of Cash Credit
Cook Committee (on behalf of Bank for International Settlements - Basle Committee)	Capital Adequacy of banks
VT Dehejia Committee	To examine the extent to which the credit needs of industry and trade which are likely to be inflated and how such trends could be checked
GS Dahotre Committee	To examine the credit requirements of Leasing industry
ML Dantwala Committee	RRBs
Dharia Committee	Public Distribution System
Dutta Committee	Industrial Licensing
Gadgil Committee	Lead Bank Scheme (1969)
Shankarlal Gauri Committee	Agricultural Marketing
A Ghosh Committee	Frauds and malpractices in banks

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A Ghosh Committee	Final Accounts
A Ghosh Committee	Modalities of Implementation of New 20-Point programme
Goiporia Committee	Customer service in banks
Omkar Goswami Committee	Industrial sickness and corporate restructuring
RK Hajare Committee	Differential Interest Rates (DIR) Scheme
Hazari Committee	Industrial Policy (1967)
Janakiraman Committee	To enquire into the securities transactions of banks and financial institutions
LK Jha Committee	Indirect Taxes
Rashid Jilani Committee	Review of the system of cash credit
SK Kalia Committee	Role of NGOs and Self-Help Groups on credit
Kalyanasundaram Committee	To examine introduction of factoring services in India
CE Kamath Committee	Multi-agency approach in Agricultural Finance
Karve Committee	Small Scale Industry
PR Khanna Committee	To develop appropriate supervisory framework for Non-Banking Financial Companies (NBFCs) operating essentially in Credit market
Khusro Committee	Agricultural Credit
KS Krishnaswamy Committee	Role of banks in Priority sector and
20-Point Economic Programme	
G Lakshminarayan Committee	Extension of Credit limits on Consortium basis
PC Luther Committee	Productivity, Operational Efficiency, Profitability of banks
Mahalanobis Commitee	To review Income distribution
YH Malegam Committee	To look into disclosure norms for public issues

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RN Malhotra Committee	Reforms in the Insurance sector
Marathe Committee	Licensing of New Banks
DR Mehta Committee	To review the progress of IRDP and recommend measures for improvement
Ram Nivas Mirdha Committee (JP C)	To enquire into the securities scam
Nadkami Committee	To evolve improved procedures for transactions in PSU bonds and units
Narasinnham Committee	Financial System
PR N ayak Committee	To examine the adequacy of Institutional Credit to SSI sector and other related aspects
S Padmanabhan Committee	To review the on-site supervision function of banks
S Padmanabhan Committee	Inspection of banks by the RBI
Pandey Committee	Regional Planning
GS Patel Committee	To review the Carry-forward System on Stock Exchanges
Pendarkar Committee	To review the existing system of Inspections of Commercial Banks, RRBs & Urban Co-operative Banks.
JC Puri Committee	To examine bank credit to SSI
James Raj Committee	Functioning of Public Sector Banks
Raj Committee	Agricultural Holding Tax
Rajmannar Committee	Centre-State Fiscal Relation
Rakesh Mohan Committee	Petro-Chemical Sector
Rangarajan Committee - I & II	Computerisation of Banking Industry
Rangarajan Committee	Public Sector Disinvestment'
Ray Committee	Industrial Sickness
Jaybharat Reddy Committee	Reforms in Insurance Sector
Rekhi Committee	Indirect Taxes
WS Saraf Committee	Technology Issues in the Banking Industry

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RG Saraiya Committee	Banking Commission (1972)
Dr AC Shah Committee	Non-Banking Financial Companies
Mrs KS Shere Committee	To study all aspects of Electronic Funds Transfer
JV Shetty Committee	Consortium advances
B Sivaraman Committee	To review arrangements for institutional credit for Agriculture and Rural Development
OP Sodhani Committee	Foreign Exchange Markets and NRIs' investment in India
Dr G Sundaram Committee	Structure of Export Credit
PL Tandon Committee	Export Strategy
RK Talwar Committee	Customer service
RK Talwar Committee	State enactment having a bearing on Commercial banks' lending to Agriculture
Tandon Committee	To frame guidelines for follow-up of bank credit
Tandon Committee	Industrial Sickness
NK Thingalaya Committee	To examine major issues relating to restructuring of RRBs
Tiwari Committee	Rehabilitation of Sick Industrial
undertakings	
Vaghul Committee	Money Market (Mutual Fund Scheme)
B Venkatappaiah Committee	All India Rural Credit Review
Wanchoo Committee	Direct Taxes
BN Mitra Committee	Central Banking Functions and Agr Finance Coordination between
DR Gadgil Committee	Agricultural finance
RS Saria Committee	Agr Finance & Coop Societies
Purshottam Das Committee	Agr Finance & Coop Societies
AD Gorwala Committee	Study of rural finance
RN Mirdha Committee	Coop Societies

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B Venketaiya Committee	Review of rural finance system
FKF Narirnan Committee	Branch expansion programme
Chatalier Committee	Finance to small scale industry
Dandekar Committee	Regional imbalances
Hathi Committee	Soiled notes
BD Thakar Committee	Job criteria approach in bank loans
Rajamannar Committee	Banking Laws changes (cheque bouncing - an offence)
Varshney Committee	Revised method for loans of Rs 2 lac or more
N Narsimhan Committee	Establishment of RRBs
Lakshmi Narayan Committee	Consortium lending
Dr RK Hajari Committee	Coordination between co-operative
credit institutions	
Baldev Singh Committee	Simplification of loan procedures and documentation relating to agricultural and allied activities
K Madhav Das Committee	Urban Coop Banks
Tambe Committee	Composite term loan to SSIs
Thakkar Committee	Credit schemes to self-employed
Pillai Committee	Pay scales of Bank officers
YB Damle Committee	MICR introduction
UK Sharma Committee	Review of lead bank scheme
SM Kelkar Committee	RRB and its relative Acts
Abid Hussain Committee	Development of capital market
PD Ojha Committee	Service Area Approach
Mahadeven Committee	Consortium lending Single window system
SA Dave Committee	Functioning of Mutual Funds
C Rao Committee	Agricultural policy
Nadkarni SS Committee	Trading in public sector bonds
IT Vaz Committee	Norms for working capital finance by banks

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R Jilani Committee	Inspections system in Banks
BD Shah Committee	Stock lending scheme
SS Tarapore Committee	Capital account convertibility
Pannir Selvam Committee	NPAs of banks
RV Gupta Committee	Agricultural Credit Delivery
SL Kapoor Committee	Institutional credit to SSIs
RH Khan Committee	Harmonisation of role of FIs & Banks
Bhave Committee	Share transfer reforms
YV Reddy Committee	Financial aggregates system
LC Gupta Committee	Financial derivatives
Balakrishna Eradi Committee	Insolvency Law/winding up
MS Verma Committee	Measures for Weak Banks
SS Kohli Committee	Rationalisation of staff-strength in Banks
Vyas Committee	Rural credit
Dave Committee	Pension sector reforms
VS Raghavan Committee	Competition law
Adhyarjuna Committee	Changes in key laws relating to banking and finance (NI Act, Stamp Act etc)
RJ Kamath Committee	Revised Education Loan Scheme
YV Reddy Committee	Reforms in Small Savings
SS Kohli Committee	Rehabilitation of sick SSI units
SS Kohli Committee	Wilful defaulters
PR Khanna Committee	Clarifications relating to NPAs
Vipin Malik Committee	Consolidated Accounting by banks
MVS Chalpati Rao Committee	Restructuring of RRBs
B Samal Committee	IBA Committee on Rural Credit

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CHAPTER 18

RUPAY CARD

RuPay is the Indian domestic card payment network set up by National Payments Corporation of India (NPCI) at the behest of banks in India. The RuPay project had been conceived by Indian Banks Association (IBA) and had the approval of Reserve Bank of India (RBI).
RuPay LogoNational Payments Corporation of India (NPCI) has a plan to provide a full range of card payment services including the RuPay ATM, RuPay MicroATM, Debit, Prepaid and Credit Cards which will be accepted in India and abroad, across various channels like POS, Internet, IVR and mobile etc.
The initial focus of NPCI would be to approach those banks who have not been issuing any payment card at all more specifically – Regional Rural Banks (RRBs) and urban co-operative banks.
All Public Sector Undertakings (PSU) banks set to join RuPay system by the end of year 2012.
RuPay-based debit cards can be used by the consumers on the Internet from September, 2012.
The government of India had launched India's first domestic payment card network, RuPay, to compete with Visa Inc and Mastercard Inc.

Objectives of RuPay:

The Main Objective of the RuPay payment network project is to reduce the overall transaction cost and develop products appropriate for financial inclusion.

1. Reduce overall transaction cost for the banks in India by introducing competition to international card schemes.
2. Develop products appropriate for the country particularly for financial inclusion.
3. Provide card payment service option to many banks who are currently not eligible for card issuance under the eligibility criteria of international card schemes.
4. Build environment whereby payment information of the country remains within the country
5. Shift Personal Consumption Expenditure (PCE) from cash to electronic payments in a growing economy with a population of 1.2 billion

Important Points to Remember:

1. RuPay is the Indian domestic card payment network.
2. The RuPay payment network set up by National Payments Corporation of India (NPCI) at the behest of banks in India.
3. The RuPay project had been conceived by Indian Banks Association and had the approval of

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Reserve Bank of India.
4. The main objective of RuPay project is to reduce overall transaction cost for the banks in India by introducing competition to international card schemes.
5. NPCI has plan to provide full range of credit service like RuPay ATM, RuPay MicroATM, Debit, Prepaid and Credit Cards which will be accepted across various channel POS, Internet, IVR, Mobile etc.
6. All state-owned banks are expected to join the RuPay system by the end of this year.
7. RuPay-based debit cards can be used by the consumers on the Internet from September, 2012.

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CHAPTER 18

Basel Norms

Basel is the city of Switzerland where in 1992 the BIS conference was held (Banks for International Settlement) & this conference for organized by the European Banks in which they have prepared some guidelines for the banking industry dividing into parts Basel-I & Basel-II.

Basel I- between1994 to 1004

Basel II- after 2004

The Basel-I guidelines were only intact with the car of the banks in which banks were bound to maintain their car between 8-12%

BASEL III

Basel III (or the Third Basel Accord) is a global, voluntary regulatory standard on bank capital adequacy, stress testing and market liquidity risk. It was agreed upon by the members of the Basel Committee on Banking Supervision in 2010–11, and was scheduled to be introduced from 2013 until 2015; however, changes from 1st April 2013 extended implementation until 31 March 2018. The third installment of the Basel Accords (see Basel I, Basel II) was developed in response to the deficiencies in financial regulation revealed by the late-2000s financial crisis. Basel III was supposed to strengthen bank capital requirements by increasing bank liquidity and decreasing bank leverage.

Key principles of BASEL III :

Capital requirements:

The original Basel III rule from 2010 was supposed to require banks to hold 4.5% of common equity (up from 2% in Basel II) and 6% of Tier I capital (up from 4% in Basel II) of "risk-weighted assets" (RWA).[3] Basel III introduced "additional capital buffers", (i) a "mandatory capital conservation buffer" of 2.5% and (ii) a "discretionary counter-cyclical buffer", which would allow national regulators to require up to another 2.5% of capital during periods of high credit growth.

Leverage ratio:

Basel III introduced a minimum "leverage ratio". The leverage ratio was calculated by dividing Tier 1 capital by the bank's average total consolidated assets; The banks were expected to maintain a leverage ratio in excess of 3% under Basel III. In July 2013, the US Federal Reserve Bank announced that the minimum Basel III leverage ratio would be 6% for 8 Systemically important financial institution (SIFI) banks and 5% for their insured bank holding companies. Liquidity requirements: Basel III introduced two required liquidity ratios. The "Liquidity

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Coverage Ratio" was supposed to require a bank to hold sufficient high-quality liquid assets to cover its total net cash outflows over 30 days; the Net Stable Funding Ratio was to require the available amount of stable funding to exceed the required amount of stable funding over a one-year period of extended stress.

Tier I Capital:

Tier 1 capital is the core measure of a bank's financial strength from a regulator's point of view. It is Bcomposed of core capital, which consists primarily of common stock and disclosed reserves (or retained earnings), but may also include non-redeemable non-cumulative preferred stock. The Basel Committee also observed that banks have used innovative instruments over the years to generate Tier 1 capital; these are subject to stringent conditions and are limited to a maximum of 15% of total Tier 1 capital. This part of the Tier 1 capital will be phased out during the implementation of Basel III.

Tier II Capital:

Tier 2 capital, or supplementary capital, include a number of important and legitimate constituents of a bank's capital base. These forms of banking capital were largely standardized in the Basel I accord, issued by the Basel Committee on Banking Supervision and left untouched by the Basel II accord. National regulators of most countries around the world have implemented these standards in local legislation. In the calculation of regulatory capital, Tier 2 is limited to 100% of Tier 1 capital.

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CHAPTER 19

Banking Terminology

SELF HELP GROUP

Self help group is a small volunteer association of poor people preferably from the same socio Economic background. They come together for the purpose of solving their common problems through self help and mutual help. The self help group promotes small saving among the members. The savings are kept with the Bank. This common fund is in the name of SHG. Usually the number of members in one SHG doesn't exceed 20. The NABARD and NGOs the promoters of this group.

KISAN CREDIT CARD

Provision timely and adequate credit has one of the major challenges for Banks in India in dispension of agriculture and rural credit to the farmers in order to achieve the AIM. KCC are now a new concept in the field of agriculture banking in India. The KCC scheme was started by the GOI in conciliation with the RBI and NABARD in 1998-99. The eligibility criteria for KCC is the borrower must be with a good track record of the 2 years would be the prime customer and a farmer who has the operational land holding certificate from the PATWARI. The maximum amount of KCC is up to Rs. 10000 and each withdrawal to be paid within 12 months and KCC is valid for 3 years subject to annual renewal. All branches engaged in agriculture banking could issue KCC. In very special conditions Bank can provide up to Rs. 25000 loan and the interest rate on KCC is 11%.

KISAN GOLD CARD

This is hassle free term loan card that enable to avail loan for agricultural implements, land development, repair of farm machinery and consumption need farmers have the choice in regard to amount, time and purpose. The amount of loan is 5 times the annual form income with the maximum limit of Rs. 5 Lakhs. For the consumption purpose is should not exceed 20% of the limit.

MICROCREDIT OR MICROFINANCE

Micro credit is the extension of very small loans to the unemployed to poor Endeavour and to others living in poverty who are not considered bankable. These individuals lack collateral steady employment and variable credit history and therefore cannot meet even the most minimal qualification to gain excess to traditional credit.

Microcredit is a part of microfinance which is the provision of the wider range of the financial services to the very poor. Microcredit is the financial innovation which originated in Bangladesh where it has successfully enabled to extremely impoverish people to engage itself employment project. The founder of this microcredit is Prof. Mohammad Yunus in mid 1970s. He is also the founder of grami8n bank of Bangladesh with which Mr. Yunus has received the Noble Peace

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Price 2006 and to pay respect towards microcredit the united nation organization has declared year 2005 "The International Year of Microcredit."

MUTUAL FUND

A Mutual Fund is the professionally manage firm of collective investments that pools money from many investors in stock market, bonds, short term, money market instruments and in other securities. In mutual fund is a fund manager who is also called Portfolio manager trades the fund underlined Securities. The value of the share of mutual fund is called the net asset value which is calculated daily wage on a total value divided be a number of shares, issued and outstanding there are two types of Mutual Fund.

- Open Ended Mutual Fund
- Closed Ended Mutual Fund

BULLION MARKET

A market where the trading of precious metals held like: Gold, Silver, Diamond, Platinum and Crystal.

STOCK MARKET

A stock market is a private or public market for trading of company, stock and derivatives of company stock at an agreed price. Both of these are securities listed on stock exchange as well as those only traded privately.

BULL

Bull is an investor who thinks the market a specific security or an industry will raise. Bulls are the optimistic investors presently predicting good things of the market and bullish is a habit to purchase that share which is in profit they are responsible to Rose in stock exchanges.

BEAR

It is an investor who believes that a particular security or market is headed downward. Bears attempt to profit from a decline in prices. A Bear is generally pessimistic about the state of the given market.

STAG

A Stag is an investor or speculator who subscribes to a new issue with the intention of selling them soon after allotment to realize for quick profit.

ADR (AMERICAN DEPOSITORY RECEIPTS)

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An ADR represents an ownership in the share on Owner Company trading in US trading in US financial market. ADR enable US investors to buy share in foreign companies without undertaking cross border transaction. ADR's carry prices in US Dollars and can be traded as share of US based company.

GDR (GLOBAL DEPOSITORY RECEIPT)

GDR is a bank certificate issued in more than one country for shares in a foreign company. These shares are held by a foreign branch of an International bank. These shares are trades as domestic shares but are offered for sale globally through the various bank branches. A GDR is a very similar to an American Depository Receipt.

SDR (SPECIAL DRAWING RIGHTS)

This is the depth instrument credit be IMF in 1969 to provide the assistance and loan to their member countries. The value of the SDR was initially defined as equivalent to 0.8888671 gram of fine gold which was at that time equivalent to 1 US$.

MONEY MARKET

Money Market is the global financial market for short term borrowings and lendings. It provides short term liquid funding for global financial system. In Money Market short term obligations such as treasury bills, commercial papers and Banker's acceptance are bought and sold. The Money Market instruments are bank drafts, time deposits, time deposits, short term loans, promissory notes, ADR, GDR, Municipal notes, treasury bills and mutual funds.

CAPITAL MARKET

The Capital Market is the market for securities where companies and government can raise long term fund. The Capital Market includes the stock market and the Bond Market.

CALL MONEY

Cal Money Market is the market in which broker and dealers borrow money to satisfy their credit needs either to finance their own inventory or to cover their customer margin Accounts.

ICOR (INCREMENTAL CAPITAL OUTPUT RATIO)

ICOR is the Ratio of investment to growth which equals to one, divided by the marginal product of Capital. The higher the ICOR indicates lower the productivity of capital and lower the ICOR reflects high productivity of Capital. ICOR is the topic or instrument by which the Economic growth rate of company decided.

DEBIT CARD

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Debit Card is also known as gift card. It is a type of plastic money which provides an alternative payment method for cash withdrawals through automated tailor machine and this is a prepaid ATM card.

CREDIT CARD

A Credit Card allows you to borrow money when you purchases. It doesn't directly debit from your bank account at the time of purchase instead you are sent a bill every month for the sum of total of your purchase. In other words this Post Paid Money Card.

SMART CARD

A Smart Card or chip card or integrated circuit card is defined as a pocket sized card with embedded integrated circuit which can process information. This is a card with all personal information of any individual in financial and Money Market.

MASTER CARD

Master Card international is a multinational corporation based in purchase throughout the world. Its principal business is to process payment between bank of merchants and the bank of purchase that used its master card I.E. Master Card is a service provider company Master Card international incorporated has been a publicity traded company since 2006 with the brand name Master Card. All financial institutions in banks are the member of this Master Card international for service providing except bank of America. Bank of America has its own service proving company named as VISA international.

VISA CARD

Visa Card is a type of debit card on Visa network. It has VISA logo and can be accepted to pay for the things and the money is drawn directly from your account. These are the debit cards, which are subject to a daily limit, and/or a maximum limit equal to the current/checking account balance from which it draws funds.

KYC (KNOW YOUR CUSTOMERS)

KYC is a term commonly used for customer identification process or these are the guidelines issued by the RBI and SEBI for financial institutions. The intention behind the KYC is to check the money laundering. For the mutual funds MIN (Mutual Fund Identification Number) is the tool of KYC. For Demat Account Pan Card is essential and for band account-

- ☐ Residential Proof
- ☐ Identity Proof
- ☐ Referee/Introducer

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- Signature Attestation

RTGS

Real time gross settlement is a fund transfer mechanism where transfer of money takes place from one bank to another on a real time and on gross basis. This is the fastest possible money transfer system through the banking channel. The RTGS system is primary for large value transaction. The minimum amount is Rs. 1 Lakh and there is no upper ceiling for RTGS transaction while the minimum and maximum stipulation has been fixed for EFT and NEFT.

NEFT

NEFT is nationwide fund transfer system to facilitate transfer of funds from any bank branch to any other bank. As on Dec 29, 2007 34510 bank branches of 82 banks where the member of NEFT system. The NEFT is an electronic fund system to transfer funds from any part of country to any other part of country and work on net settlement.

CBS

Core or centralized banking solution is a heart of banking system. This is a process by which a bank has interconnect their maximum branches through wide area network and only this system provide a facility of any branch or any time banking.

FINANCIAL INCLUSION

It is a delivery of banking services at an affordable cost to the vast section of disadvantage or low income group or this is a facility provided by the banking sector to connect each and every individual to the financial network and the main component of this financial inclusion is no-full account and simplification of know your customers.

LIBOR

London Interbank Offered Rate.

MIBOR

Mumbai Interbank Offered Rate.

MIBID

Mumbai Interbank Bid Rate

SARFAESI ACT

Securisation and reconstruction of financial assets and enforcement of securities interest Act.

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BOND

Bond is a debt security in which the authorized issuer owes the holders a debt and s oblique to repaid the principal with interest at the later date and termed maturity.

DEBENTURES

It is a long term debit instrument issued by government and large companies to obtained funds. It is very similar to bonds except the securisation condition is different.

CAMELS

This is the rating system of RBI for banking recommended by Padmanabhan Committee.

- C- Capital Adequacy
- Assets Quality or Level of NPA.
- M- Management Effectiveness.
- E- Earning of Profitability.
- L- Liquidity
- S- System and Controls.

Rear-real effective exchange rate.

RECENT DEVELOPMENT ON FINANCIAL INCLUSION

- Recently Rangarajan committee on financial inclusion has submitted their report to finance Minister and committee has suggested that GOI is bound to setup 2 funds on financial inclusion and funds are named as-
- Financial Inclusion Development Fund
- Financial Inclusion Technology Fund
- Each fund will have there corpus of Rs.500cr contributed by RBI, GOI and NABARD. The commission has also suggested that branch of every bank is bound to open at least 250 accounts in a single financial year and the commission has also suggested that RBI and SEBI must liberised KYC norms. Banks are bound to open no-frill account for the poorer people.

EFT- ELECTRONIC FUND TRANSFER

- It refers to computer based system use to perform financial transaction electronically. This term is use for the number of different concept
- Card holder initiated transaction, where the card holder makes use of a payment card.
- Electronic payment by business including salary payment
- Electronic cheque clearing.

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SUB PRIME CRISES

The Sub Prime Crises were a sharp rise in home loans which started in United States in late 2006 and became a global financial crisis during 2007-08. The damage of this Sub Prime Crisis is US$ 200-300 billion in 2007. And this Sub Prime Crises has a little bit impact on Indian Economy according to release of ICICI bank annual result, the bank faces Rs 1000cr as a business loss.

MORTGAGE

A Mortgage is a method of using property as a security for the performance of an obligation, usually the payment of a debt. The term Mortgage refers to a legal device used for this purpose and it is also commonly used to refer to a debt secure by the Mortgage.

REVERSE MORTGAGE

These are the powerful tools that help eligible home loaners to obtain tax free cash flow.

LOAN ACCOUNT OR ADVANCES OF BANK

There are two types of lending or advances in the banking sector.

1. **SHORT TERM LENDING**- up to 4 years. Like – Priority Sector Lending

- Consumer loan
- Vehicle loans and personal loans

2. **LONG TERM LENDING**- 4 years and above. Like-

- Industrial Lending
- Housing Loans
- Commercial Lending
- Educational Loan

PRIORITY SECTOR LENDING *PSL'S+

As India is a democracy so Government of India has some social responsibilities and the fulfillment of these Social responsibilities the GOI has set some priorities, so the sectors decided for GOI by Landings are known as priority sector lending and The Some Sectors are

- Agriculture
- Minority Education
- Animal Husbandry

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- ☐ Fisheries
- ☐ Agriculture Allied
- ☐ Small Scale Industries
- ☐ Cottage Industries
- ☐ Handicrafts
- ☐ Houses for the Poor

The Bankers are bound to lend their 40% of the total lending in priority sector r and 18% of their total lending for agriculture. The PSL attract very reduced or less interest rate and if farmers are unable to repay this, loan GOI is bound to waive this loan because of Social Responsibility.

REPO RATE

Repo Rate is the Tool by which RBI in flews liquidity in the financial system. Or it is the rate of interest at which RBI. Provide short term loans to the scheduled commercial Bank against the government securities. (Maximum-90 days)

BANK RATE

Bank Rate is the rate of interest at which RBI provide loan to the scheduled Commercial banks for productive purpose & for long term period (more than 4 year]

CRR

CRR is the ratio of banks total deposits for which they are bound to keep with the RBI. It could be between minimum 3% to maximum 15% & CRR is the most effective measure to check inflation if CRR increases bank are bound to keep more money with the RBI & the liquidity in market decreases & the value of money increases & inflation come down.

SLR

SLR is the ratio of banks total deposits for which banks are required to keep with themselves If might be in form of cash, gold, government securities and deposits in other banks as current account.

DEFICIT FINANCING

The concept of deficit financing is propounded by Prof. J. M. Kenes in his book "how to pay for war 1940" Deficit financing is a practice adopted by all popular government for bridging the gap between their revenue and expenditure i.e. it is plan excess of expenditure over revenue. Deliberately budgeting for deficit is deficit financing. Deficit financing is only fulfilled by the Borrowings and never by printing of new notes.

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SEZ

SEZ means Special Economic Zone is the one of the part of government’s policies in India. A special Economic zone is a geographical region that economic laws which are more liberal than the usual economic laws in the country. The basic motto behind this is to increase foreign investment, development of infrastructure, job opportunities and increase the income level of the people.

Non-Banking Financial Company (NBFC)?

A Non-Banking Financial Company (NBFC) is a company registered under the Companies Act, 1956 engaged in the business of loans and advances, acquisition of shares/stocks/bonds/debentures/securities issued by Government or local authority or other marketable securities of a like nature, leasing, hire-purchase, insurance business, chit business but does not include any institution whose principal business is that of agriculture activity, industrial activity, purchase or sale of any goods (other than securities) or providing any services and sale/purchase/construction of immovable property. A non-banking institution which is a company and has principal business of receiving deposits under any scheme or arrangement in one lump sum or in installments by way of contributions or in any other manner, is also a non-banking financial company (Residuary non-banking company).

Cheque and Demand Draft

Cheque: Cheuqe is a negotiable instrument instructing a bank to pay a specific amount from a specific account held in the maker/depositor name with that Bank.

Demand Draft: A demand draft is an instrument used for effecting transfer of money. It is a negotiable instrument.

BSBDA

Under the guidelines issued on August 10, 2012 by RBI: Any individual, including poor or those from weaker section of the society, can open zero balance account in any bank. **BSBDA** guidelines are applicable to "all scheduled commercial banks in India, including foreign banks having branches in India".

All the accounts opened earlier as 'no-frills' account should be renamed as BSBDA. Banks are required to convert the existing 'no-frills' accounts’ into 'Basic Savings Bank Deposit Accounts'.

The 'Basic Savings Bank Deposit Account' should be considered as a normal banking service available to all customers, through branches .

The aim of introducing 'Basic Savings Bank Deposit Account' is very much part of the efforts of RBI for furthering Financial Inclusion objectives.

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SWIFT

SWIFT :- Society for worldwide Interbank financial tele- communication.

- India was 74th Nation to join SWIFT Network.
- SWIFT Code is a standard format of bank Identifier code. This code is used particularly in International transfer of money between banks.
- A majority of FOREX related message are sent to correspondent banks abroad through SWIFT.
- SWIFT Code consist 8 or 11 character when code is 8 digit, It is referred to primary office 4 – bank code

2 – country code

2 – location code

3 – branch code (optional).

DeMat Account

DeMat is nothing but a dematerialized account. If one has to save money or make cheque payments, then he/she needs to open a bank account. Similarly, one needs to open a DeMat account if he/she wants to buy or sell stocks. Thus, DeMat account is similar to a bank account wherein the actual money is being replaced by shares. In order to open a DeMat account, one needs to approach the Depository Participants [DPs].

In India, a DeMat account is a type of banking account that dematerializes paper-based physical stock shares. The DeMat account is used to avoid holding of physical shares: the shares are bought as well as sold through a stock broker. In this case, the advantage is that one does not need any physical evidence for possessing these shares. All the things are taken care of by the DPs.

This account is very popular in India. Physically only 500 shares can be traded as per the provision given by SEBI. From April 2006, it has become mandatory for any person holding a DeMat account to possess a Permanent Account Number (PAN).

Bitcoin

Bitcoin is a consensus network that enables a new payment system and a completely digital money. It is the first decentralized peer-to-peer payment network that is powered by its users with no central authority or middlemen. From a user perspective, Bitcoin is pretty much like cash for the Internet. Bitcoin can also be seen as the most prominent triple entry bookkeeping system in existence

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Fiscal Policy

Fiscal policy is the use of government spending and revenue collection to influence the economy. These policies affect tax rates, interest rates and government spending, in an effort to control the economy. Fiscal policy is an additional method to determine public revenue and public expenditure.

FII

FII (Foreign Institutional Investor) used to denote an investor, mostly in the form of an institution. An institution established outside India, which proposes to invest in Indian market, in other words buying Indian stocks. FII's generally buy in large volumes which has an impact on the stock markets. Institutional Investors includes pension funds, mutual funds, Insurance Companies, Banks, etc.

FDI

FDI (Foreign Direct Investment) occurs with the purchase of the "physical assets or a significant amount of ownership (stock) of a company in another country in order to gain a measure of management control" (Or) A foreign company having a stake in a Indian Company.

IPO

IPO is Initial Public Offering. This is the first offering of shares to the general public from a company wishes to list on the stock exchanges.

GDP

The Gross Domestic Product or GDP is a measure of all of the services and goods produced in a country over a specific period; classically a year.

GNP

Gross National Product is measured as GDP plus income of residents from investments made abroad minus income earned by foreigners in domestic market.

Revenue deficit

It defines that, where the net amount received (by taxes & other forms) fails to meet the predicted net amount to be received by the government.

Disinvestment

The Selling of the government stake in public sector undertakings.

Fiscal Deficit

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It is the difference between the government's total receipts (excluding borrowings) and total expenditure.

National Income

National Income is the money value of all goods and services produced in a Country during the year.

ATMs: (Automated Teller Machine): The ATM debit cards, credit cards and prepaid cards (that permit cash withdrawal) issued by banks can be used at ATMs for various transactions.
Use of ATMs of Other Banks:
i. 5 free transactions are permitted per month (inclusive of financial and/or non-financial) at other bank ATMs for Savings Bank Account holders
ii. For transaction beyond this minimum number of transactions, banks charge maximum **of Rs 20/ -** per transaction.

Personal Identification Number (PIN) : A Personal Identification Number is a secret numeric password shared between user and a system that can be use to authenticate the user to the system.
Reconciliation of failed transactions at ATMs
i. The time limit for resolution of customer complaints by the issuing banks shall stand reduced from 12 working days to **7 working days** from the date of receipt of customer complaint.
ii. Accordingly, failure to recredit the customer's account within 7 working days of receipt of the complaint shall entail payment of compensation to the customer @ **Rs. 100**/- per day by the issuing bank..
iii. Any customer is entitled to receive such compensation for delay, only if a claim is lodged with the issuing bank within **30 days of the date of the transaction**.
iv. All disputes regarding ATM failed transactions shall be settled by the issuing bank and the acquiring bank through the ATM system provider only.
v. If the course of action for the customer complaint is not taken by his/her bank within the stipulated time than customer can take recourse to the local Banking Ombudsman in such situations.

IFSC (Indian Financial System Code): Indian Financial System Code is an alpha-numeric code that uniquely identifies a bank-branch participating in the NEFT system.

ii. This is an 11 digit code with the first 4 alpha characters representing the bank, The 5th character is 0 (zero).and the last 6 characters representing the bank branch.

iii. IFSC is used by the NEFT system to identify the originating / destination banks / branches and also to route the messages appropriately to the concerned banks / branches.

For ex: SBIN0015986 :

i. First 4 character **SBIN** – refers to State Bank of India.

ii. 0 is a control number.

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iii. last six characters **(015986**) represents the SBI branch Jail Road, Hari Nagar New Delhi.

MICR : stands for Magnetic Ink Character Recognition. MICR Code is a numeric code which uniquely identifies a bank branch participating in the ECS Credit scheme.

MICR code consists of 9 digits e.g 400229128

i. First 3 digits represent the city (400)

ii. Next 3 digits represent the bank (229)

iii. Last 3 digits represent the branch (128) The MICR Code allotted to a bank branch is printed on the MICR band of cheque leaves issued by bank branches.

Cheque Truncation:

i. Truncation is the process of stopping the flow of the physical cheque issued by a drawer at some point with the presenting bank en-route to the drawee bank branch.

ii. In its place an electronic image of the cheque is transmitted to the drawee branch by the clearing house, along with relevant information like data on the MICR band, date of presentation, presenting bank, etc.

iii. Cheque Truncation speeds up the process of collection of cheques resulting in better service to customers, reduces the scope for clearing-related frauds or loss of instruments in transit, lowers the cost of collection of cheques, and removes reconciliation-related and logistics-related problems, thus benefitting the system as a whole.

Crossing on Cheque: Two parallel lines drawn on the top left corner of the cheque.

Account payee cheque: Account payee cheques can be routed only through accounts.

Post dated cheque: The date on the cheque beyond today's date then cheque becomes post dated.

Stale cheque: Cheque is valid for **3 months.** If the date on the cheque is before 3 months, then the cheque becomes stale cheque.

Mutilated cheque: It is a damaged cheque.

At Par cheque: It is payable anywhere in India.

Multi city cheque: A cheque which is payable in any branch of a particular bank

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(BASIC SAVING BANK DEPOSIT ACCOUNT): Under the guidelines issued on August 10, 2012 by RBI: Any individual, including poor or those from weaker section of the society, can open zero balance account in any bank.

BSBDA guidelines are applicable to "all scheduled commercial banks in India, including foreign banks having branches in India". All the accounts opened earlier as 'no-frills' account should be renamed as BSBDA. Banks are required to convert the existing 'no-frills' accounts' into 'Basic Savings Bank Deposit Accounts'. The 'Basic Savings Bank Deposit Account' should be considered as a normal banking service available to all customers, through branches . The aim of introducing 'Basic Savings Bank Deposit Account' is very much part of the efforts of RBI for furthering Financial Inclusion objectives.

Main Points of the BSBDA: i. An individual is eligible to have only one 'Basic Savings Bank Deposit Account' in one bank.

ii. Holders of 'Basic Savings Bank Deposit Account' will not be eligible for opening any other savings account in that bank. If a customer has any other existing savings account in that bank, he / she will be required to close it **within 30 days from** the date of opening a 'Basic Savings Bank Deposit Account'.

Note: While opening the BSBDA customers' consent in writing be obtained that his existing non-BSBDA Savings Banks accounts will be closed after 30 days of opening BSBDA and banks are free to close such accounts after 30 days.

iii. One can have Term/Fixed Deposit, Recurring Deposit etc., accounts in the bank where one holds 'Basic Savings Bank Deposit Account'.

iv. Banks are advised not to impose restrictions like age and income criteria of the individual for opening BSBDA.

v. There is no requirement for any initial deposit for opening a BSBDA.

vi. Banks should offer the ATM Debit Cards free of charge and no Annual fee should be levied on such Cards.

vii. In BSBDA, banks are required to provide free of charge minimum four withdrawals, through ATMs and other mode including RTGS/NEFT/Clearing/Branch cash withdrawal/transfer/internet debits/standing instructions/EMI etc

vii. The Uniform rate of interest rates set by individual banks are applicable on the domestic savings deposit will be determined on the basis of end-of-day balance in the account.

viii. The normal saving bank account can be converted into BSBDA at the request of customer.

BSBDA-Small Accounts would be subject to the following conditions:

i. Total credits in such accounts should not exceed **1 lakh rupees in a year.**

ii. Maximum balance in the account should not exceed **50,000 Rs at any time**

iii. The total of debits by way of cash withdrawals and transfers will not exceed **10,000 rupees in a month**

iv. Foreign remittances cannot be credited to Small Accounts without completing normal KYC formalities

v. Small accounts are valid for a period of **12 months initially** which may be extended by another 12 months if the person provides proof of having applied for an Officially Valid Document.

vi. Small Accounts can only be opened at CBS linked branches of banks or at such branches where it is possible to manually monitor the fulfillments of the conditions.

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About Micro, Small and Medium Enterprises:
i. A **micro enterprise** is an enterprise where investment in plant and machinery **does not exceed Rs. 25 lakh. and** investment in equipment **does not exceed Rs. 10 lakh;**
ii. A **small enterprise** is an enterprise where the investment in plant and machinery is **more than Rs. 25 lakh but does not exceed Rs. 5 crore** and the investment in equipment is **more than Rs.10 lakh but does not exceed Rs. 2 crore.**
iii. A **medium enterprise** is an enterprise where the investment in plant and machinery is **more than Rs.5 crore but does not exceed Rs.10 crore.** and the investment in equipment is **more than Rs. 2 crore but does not exceed Rs. 5 crore.**

(i) "**soiled note:"** means a note which, has become dirty due to usage and also includes a two piece note pasted together wherein both the pieces presented belong to the same note, and form the entire note.

(ii) Mutilated banknote is a banknote, of which a portion is missing or which is composed of more than two pieces.

(iii) Imperfect banknote means any banknote, which is wholly or partially, obliterated, shrunk, washed, altered or indecipherable but does not include a mutilated banknote.

Bhartiya Mahila Bank (BMB) is an Indian financial services banking company based in New Delhi, India.India's Prime Minister Manmohan Singh inaugurated the system on 19 November 2013 on the occasion of the 94th birth anniversary of former Indian Prime Minister Indira Gandhi.

Headquarter – New Delhi. Bank will get an initial capital of Rs 1,000 crore.

Usha Ananthasubramanian – The First CEO/Chairperson of Bhartiya Mahila Bank

Online banking-Ans. Nothing but any where banking. A customer can operate his account from any branch of a particular bank.

Currency chest-
i. To facilitate the distribution of banknotes and rupee coins, the Reserve Bank has authorised select branches of scheduled banks to establish Currency Chests.
ii. These are actually storehouses where banknotes and rupee coins are stocked on behalf of the Reserve Bank. As on June 30, 2006, there were 4428 Currency Chests and 4102 Small Coin Depots.
iii. The currency chest branches are expected to distribute banknotes and rupee coins to other bank branches in their area of operation.

Internet Banking -The accessing of bank information, accounts and transactions with the help of a computer through the financial institution's website on the Internet is called online banking. It is also called Internet banking or e-banking

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