www.BankExamsToday.com

GK Digest: IBPS PO Mains – Part 1 (Banking)

By Ramandeep Singh

Powered by GK Digest Android Application

Install here - **http://bit.ly/gkdigest**

RAMANDEEP SINGH
11/9/2016

Table of Contents

Forth Bi-monthly Monetary Policy Statement, 2016-17

Current Rates		Remarks (In respect of
Policy Rates		
Policy Repo Rate	6.25%	Changed
Reverse Repo Rate	5.75%	Changed
Marginal Standing Facility Rate	6.75%	Changed
Bank Rate	6.75%	Changed
Reserve Ratios		
Cash Reserve Ratio (CRR)	4%	Unchanged
Statutory Liquidity Ratio (SLR)	20.75%	Changed
Lending / Deposit Rates		
Base Rate	9.30% - 9.70%	
Savings Deposit Rate	4.00%	
Term Deposit Rate > 1 Year	7.00% - 7.30%	

Monetary and Liquidity Measures:

On the basis of an assessment of Fourth Bi-monthly Monetary Policy Statement, 2016-17, Reserve Bank of India has decided to:

i) reduce the policy repo rate under the liquidity adjustment facility (LAF) by 25 basis points from 6.5 per cent to 6.25 per cent with immediate effect.

ii) keep the cash reserve ratio (CRR) of scheduled banks unchanged at 4.0 per cent of net demand and time liabilities (NDTL); and

iii) continue to provide liquidity as required but progressively lower the average ex ante liquidity deficit in the system from one per cent of NDTL to a position closer to neutrality.

Consequently, the reverse repo rate under the LAF stands adjusted to 5.75 per cent, and the marginal standing facility (MSF) rate and the Bank Rate to 6.75 per cent.

Note: The fifth bi-monthly monetary policy statement will be announced on December 6 and 7, 2016 and its resolution will be announced on December 7, 2016.

Payment Banks in India – Everything You Need To Know

INTRODUCTION –

- Reserve Bank of India (RBI) on 17th July issued draft guideline for two new categories of bank

⇒ Small & Payment Banks .

- Payment banks and Small Banks are expected to meet credit and remittance needs of small business , unorganised sector , low income households , farmers and migrants work force .
- The new banks which are expected to reach customers mainly through their mobile phones rather than traditional bank branches. One could make payments to the milk men and domestic help through his mobile rather than going to the bank, withdrawing cash and then handing it over to them.
- In less than 10 years, every Indian will have a bank account. Payment banks are the key enablers.

CAPITAL REQUIREMENT –

- The minimum paid up voting equity capital for small banks shall be Rs. 100 Crore .
- Any additional voting equity capital to be brought in will depend on the business plan of the promoters .
- In view of the inherent risk of a small bank , it shall be required to maintain a minimum capital adequacy ratio of 15% of its risk weighted assets (RWA) on a continuous basis .
- The payments bank should have a leverage ratio of not less than 3 per cent, i.e., its outside liabilities should not exceed 33.33 times its net worth (paid-up capital and reserves).

ELIGIBLE PROMOTER'S –

- Resident individuals/professionals with so years of experience in banking and finance,
- Companies and Societies
- Existing Non-Banking Finance Companies (NBFCs),
- Micro Finance Institutions (MFIs),
- Preference will be given to professionals from banking/ financial sector, NBFCs and MFIs to set up small banks, if they meet the "fit and proper" criteria.

PROMOTER'S CONTRIBUTION –

- The promoter's minimum initial contribution to the paid up voting equity capital of such small bank shall at least 40% which shall be locked in for a period of five years from the date of commencement of business of bank .
- Shareholding by promoters in the bank in excess of 40% shall be brought down to 40% within three years from the date of commencement of business of the bank .

PROCEDURE FOR APPLICATION –

- In terms of Rule n of the Banking Regulation (Companies) Rules, 1949 applications shall be submitted in the prescribed form (Form III).
- In addition,(Business plan, shareholding pattern in the proposed bank, financial statements, income tax returns and credit reports for last three years, names and addresses of banks from which credit facilities are availed, etc.)

PROCEDURE FOR RBI DECISION –

- The applications will be initially screened by RBI to ensure prima facie eligibility of the applicants.
- Thereafter an External Advisory Committee (EAC) comprising eminent professionals like bankers, chartered accountants, finance professionals, etc. will evaluate the applications.
- The names of the professionals in EAC will be placed on RBI's website.

CORE OBJECTIVE OF PAYMENT BANK –

The study is conducted to reach the following objectives.

- To analyse the functions of payment banks.
- To study its effect on Indian economy.
- Small savings accounts
- Payments/remittance services to migrant labour workforce, low income households, small businesses, other unorganised sector entities and other users.

NEED OF PAYMENT BANK IN INDIA –

- The underlying objective is to use these new banks to push for greater financial inclusion. Currently, almost 50% of Indians don't have a bank account and only about 30,000 of India's 5.94 lakh villages have a commercial bank branch. Much of this imbalance has to do with the inability of bigger banks to reach into the hinterland.

FUNCTION OF PAYMENT BANKS –

- They can't offer loans but can raise deposits of uptoRs. 1 lakh, and pay interest on these balances just like a savings bank account does.
- They can enable transfers and remittances through a mobile phone.
- They can offer services such as automatic payments of bills, and purchases in cashless, cheque less transactions through a phone.
- They can issue debit cards and ATM cards usable on ATM networks of all banks.
- They can't offer loans but can raise deposits of uptoRs. 1 lakh, and pay interest on these balances just like a savings bank account does.
- They can enable transfers and remittances through a mobile phone.
- They can offer services such as automatic payments of bills, and purchases in cashless, cheque less transactions through a phone.
- They can issue debit cards and ATM cards usable on ATM networks of all banks.

- They can transfer money directly to bank accounts at nearly no cost being a part of the gateway that connects banks .
- They can provide forex cards to travellers , usable again as a debit Or ATM cards all over India
- They can offers forex services at charges lower than bank .
- They can also offer cards acceptance mechanism to third party such as “APPLE PAY”.

ELIGIBLE PROMOTERS –

- Existing non-bank Pre-paid Payment Instrument (PPI) issuers; and other entities such as individuals / professionals; Non-Banking Finance Companies (NBFCs), corporate Business Correspondents(BCs), mobile telephone companies, super-market chains, companies, real sector cooperatives; that are owned and controlled by residents; and public sector entities may apply to set up payments banks.
- A promoter/promoter group can have a joint venture with an existing scheduled commercial bank to set up a payment bank.

SELECTED PROMOTERS FOR PAYMENT BANKS –

Lastly Gov. of India approved 11 firms are given licence for openings of Payment Banks . The Promoters are as follows –

- Aditya Birla Nuvo Ltd.
- Airtel M Commerce Service Ltd.
- Cholamadalam Distribution Service Ltd.
- Department of Posts (Indian Post)
- FinoPayTech Ltd.
- National Security Depository Ltd.
- Reliance Industries Ltd.
- DilipShantilal Ltd.
- Vijay ShekharSharms
- Tech Mahendra Ltd.
- Vodafone m-pesa Ltd.

SCOPE OF PAYMENT BANKS IN INDIA –

- Acceptance of demand deposits. Payments bank will initially be restricted to holding a maximum balance of Rs. ioo,000 per individual customer.
- Issuance of ATM/debit cards. Payments banks, however, cannot issue credit cards.
- Payments and remittance services through various channels.
- BC of another bank, subject to the Reserve Bank guidelines on BCs.
- Distribution of non-risk sharing simple financial products like mutual fund units and insurance products, etc.

OUR VIEW POINT –

- The public sector banks are just behaving sitting ducks and white elephants. They do not work efficiently. Recently government has pumped huge capital to certain public sector bank. Even though public sector, private sector or foreign bank do not have reach to rural so let change the traditional banking and foster a new concept of banking. This payment banks can largely help to jandhanyojona, in addition it will drag the weaker section vulenerable into the financial inclusion process. Those small saving upto lakh are created in this bank but in long run a huge capital may be formed. The hamlet dwellers without having investment knowledge can safely deposit their saving in payment bank not in chit fund or any other high risk investment area.

What is Mudra Bank – Explained

What is Mudra Bank?

- MUDRA means Micro Units Development and Refinance Agency(known as the MUDRA bank)
- Mudra bank is being set up through a statutory enactment and will be responsible for developing and refinancing through a Pradhan Mantri Mudra Yojna.
- It is first set up as a subsidiary of the **Small Industries Develpoment Bank of India(SIDBI)**. It will later be converted into full-fledged bank through an act of the parliament.
- **MUDRA** Bank is a public sector financial institution in India, It provides loan at low rates to small entrepreneurs.

OBJECTIVE –

- It was launched in 8th April 2015 with the objective of regulating micro and small enterprise financing business, and supporting them particularly those members who belongs from scheduled castes and scheduled tribes.
- MUDRA Bank will also register **MFIs(Micro Finance Institutions)** and will be responsible for accreditation and rating of MFI.
- It will also make proper last mile practices to be followed by MFI to provide proper client protection and to prevent from indebtedness.

AIM –

- The finance ministry said measures to be taken up by the MUDRA are targeted mainly on young, educated or skilled workers and entrepreneurs including women entrepreneurs.
- Basically small entrepreneurs and small businessman are often cut from banking system because of limited branch presence, so MUDRA bank will partner with local coordinators and provide finance to small and micro businesses.

IMPORTANT FIGURES ABOUT MUDRA BANK

- The bank will be set up with the initial corpus of Rs 20000 cr and a credit guarantee corpus of Rs 3000cr.

- The bank have categorized the amount of loan to be given in three different categories-
- **SHISHU**- This is the first stage and in it the loan will be given for upto 50000 Rs.
- **KISHOR**- In the second stage a loan amount will be ranging from 50,000 to Rs 5 lakh.
- **TARUN**- This is last category which will provide upto Rs 10 lakh.
- The bank will cater to 5.77 crore small business units that spread all across India who currently find it difficult to access credit from the regular banking system.
- According to Mr NARENDRA MODI the bank would help over 6 cr families out of which 65% of them belongs to scheduled caste and scheduled tribes.

National Sports Awards 2016 – At A Glance

- **Rajiv Gandhi Khel Ratna Award** is given for the spectacular and most outstanding performance in the field of sports by a sportsperson over a period of four years;
- **Arjuna Award** is given for consistently outstanding performance for four years;
- Dronacharya Award for coaches for producing medal winners at prestigious international sports events,
- **Dhyan Chand Award** for life time contribution to sports development and
- **Rashtriya Khel Protsahan Puruskar** is given to the corporate entities (both in private and public sector) and
- individuals who have played a visible role in the area of sports promotion and development. Overall top performing university in inter-university tournaments is given **Maulana Abul Kalam Azad (MAKA) Trophy**.

A large number of nominations were received for these awards this year, which were considered by the Selection Committees consisting of former Olympians, Arjuna Awardees, Dronacharya Awardees, Dhyan Chand Awardees, Sports Journalists/Experts/Commentators and sports administrators. Selection Committee for Rajiv Gandhi Khel Ratna Award and Arjuna Awards was headed by Justice S.K. Agarwal, Retired Delhi High Court Judge. Selection Committee for Dronacharya Awards and Dhyan Chand Awards was headed by Ms. M.C. Mary Kom. Selection Committee for Rashtriya Khel

Protsahan Puruskar was headed by Shri Rajiv Yadav, Secretary (Sports).

Based on the recommendations of the Committee and after due scrutiny, the Government has decided to confer awards upon the following sportspersons/ coaches/organizations:

(i) Rajiv Gandhi Khel Ranta 2016

S. No.	Name of the awardee	Discipline
1.	Ms. P.V. Sindhu	Badminton
2.	Ms. Dipa Karmakar	Gymnastics
3.	Shri Jitu Rai	Shooting
4.	Ms. Sakshi Malik	Wrestling

(ii) Dronacharya Awards 2016

S.No.	Name of the awardee	Discipline
1	Shri Nagapuri Ramesh	Athletics
2	Shri Sagar Mal Dhayal	Boxing
3.	Shri Raj Kumar Sharma	Cricket
4.	Shri Bishweshwar Nandi	Gymnastics
5.	Shri S. Pradeep Kumar	Swimming (Lifetime)
6.	Shri Mahabir Singh	Wrestling (Lifetime)

(iii) Arjuna Awards 2016

S. No.	Name of the awardee	Discipline
1.	Shri Rajat Chauhan	Archery
2.	Ms. Lalita Babar	Athletics
3.	Shri Sourav Kothari	Billiards & Snooker
4.	Shri Shiva Thapa	Boxing
5.	Shri Ajinkya Rahane	Cricket
6.	Shri Subrata Paul	Football
7.	Ms. Rani	Hockey
8.	Shri Raghunath V.R.	Hockey

9.	Shri Gurpreet Singh	Shooting
10.	Ms. Apurvi Chandela	Shooting
11.	Shri Soumyajit Ghosh	Table Tennis
12.	Ms. Vinesh	Wrestling
13.	Shri Amit Kumar	Wrestling
14.	Shri Sandeep Singh Mann	Para-Athletics
15.	Shri Virender Singh	Wrestling (Deaf)

(iv) Dhyan Chand Award 2015

S. No.	Name of the awardee	Discipline
1	Ms. Satti Geetha	Athletics
2	Shri Sylvanus Dung Dung	Hockey
3	Shri Rajendra Pralhad Shelke	Rowing

(v) Rashtriya Khel Protsahana Purushkar, 2016

S. No.	Category	Entity recommended for Rashtriya Khel ProtsahanPuruskar, 2016
1.	Identification and Nurturing of Budding and Young Talent	1.Hockey Citizen Group 2.Dadar Parsee Zorostrian cricket club 3.Usha School of Athletics 4. STAIRS
2.	Encouragement to sports through corporate social	India Infrastructure Finance Corporate Limited

	responsibility	
3.	Employment to sportspersons and other welfare measures	Reserve Bank of India
4.	Sports for Development	Subroto Mukherjee Sports Education Society

(vi) Maulana Abul Kalam Azad (MAKA) Trophy 2015-16

Punjabi University, Patiala

The awardees will receive their awards from the President of India at a specially organized function at the Rashtrapati Bhawan on August 29, 2016.

Apart from a medal and a citation, Rajiv Gandhi Khel Ratna Awardee will receive a cash prize of Rs.7.5 lakh. Arjuna, Dronacharya and Dhyan Chand Awardees will receive statuettes, certificates and cash prize of Rs.5 lakh each. Recipients of Rashtriya Khel Protsahan Puruskar will be given Trophies and certificates. Overall top performing university in inter-university tournaments will be given MAKA Trophy, award money of Rs. 10 lakh and certificate.

IIFA Awards 2016: The Complete Winners List

Category	Winners
Best Film	Bajrangi Bhaijaan
Best Director	Sanjay Leela Bhansali for Bajirao Mastani
Best Actor (Male)	Ranveer Singh for Bajirao Mastani
Best Actor (Female)	Deepika Padukone for Piku
Best Actor in Supporting Role (Male)	Anil Kapoor for Dil Dhadakne Do
Best Actor in Supporting Role (Female)	Priyanka Chopra for Bajirao Mastani
Best Actor in Negative Role	Darshan Kumar for NH10
Best Performance in Comic Role	Deepak Dobriyal for Tanu Weds Manu Returns

Best Debut Actor (Male)	Vicky Kaushal for Masaan
Best Debut Actor (Female)	Bhumi Pednekar for Dum Laga Ke Haisha
Best Debut Couple	Sooraj Pancholi and Athiya Shetty for Hero
Best Story	Juhi Chaturvedi for Piku
Best Playback Singer (Female)	Monali Thakur for Moh Moh Ke Dhaage (Dum
Best Playback Singer (Male)	Papon for Moh Moh Ke Dhaage
Best Lyrics	Varun Grover for Moh Moh Ke Dhaage
Special Award: Woman of the Year	Priyanka Chopra
Best Cinematography	Sudeep Chatterjee for Bajirao Mastani
Best Screenplay	Kabir Khan, Parveez Shaikh, V. Vijayendra
Best Dialogue	Juhi Chaturvedi for Piku
Best Editing	A Sreekar Prasad for Talvar
Best Production Design	Saloni Dhatrak, Sriram Iyengar, Sujeet Sawant
Best Choreography	Remo D'souza for Pinga (Bajirao Mastani)
Best Action	Shyam Kaushal for Bajirao Mastani
Best Sound Design	Bishwadeep Chatterjee and Nihar Ranjal Samal
Best Song Engineer	Tanay Gajjar for Deewani Mastani (Bajirao
Best Sound Mixing	Ajay Kumar PB for Badlapur
Best Background Score	Sanchit Balhara for Bajirao Mastani
Best Special Effects	Prasad Sutara for Bajirao Mastani
Best Costume Designing	Anju Modi and Maxima Basu for Bajirao
Best Make Up	Vikram Gaikwad for Datto (Tanu Weds Manu

Complete Winners List Of BAFTA Awards 2016

Winners List :

Drama series : Wolf Hall (BBC2)

Entertainment programme : Strictly Come Dancing (BBC1)

Female performance in a comedy programme : Michaela Coel – Chewing Gum (Channel 4)

International : Transparent (Amazon Prime)

Male performance in a comedy programme : Peter Kay – Peter Kay's Car Share (BBC iPlayer)

Single drama : Don't Take My Baby (BBC3)

Radio Times audience award (voted for by members of the public) : Poldark

Supporting actor : Tom Courtenay – Unforgotten (ITV)

Reality and constructed factual : First Dates (Channel 4)

Supporting actress : Chanel Cresswell – This is England '90 (Channel 4)

Comedy and comedy entertainment programme : Have I Got News for You (BBC1)

Specialist factual : Britain's Forgotten Slave Owners (BBC2)

Soap and continuing drama : EastEnders (BBC1)

Features : The Great British Bake Off (BBC1)

Scripted comedy : Peter Kay's Car Share (BBC iPlayer)

Entertainment performance : Leigh Francis – Celebrity Juice (ITV2)

Leading actress : Suranne Jones – Doctor Foster (BBC1)

Leading actor : Mark Rylance – Wolf Hall (BBC2)

Single documentary : My Son the Jihadi (Channel 4)

Current affairs : Outbreak: The Truth About Ebola (BBC2)

Mini-series : This is England '90 (Channel 4)

Factual series : The Murder Detectives (Channel 4)

News coverage : Channel 4 News: Paris Massacre (Channel 4)

Live Event : Big Blue Live (BBC1)

Sport : The Ashes (Sky Sports)

63rd National Film Awards 2016 - The Complete Winners List

Best Film: Baahubali (National Award a huge achievement: 'Baahubali' producer)

Best Director: Sanjay Leela Bhansali, 'Bajirao Mastani'

Best Actor: Amitabh Bachchan, Piku

Best Actress: Kangana Ranaut, Tanu Weds Manu Returns

Best Supporting Actor: Samuthirakani for Visaaranai

Best Supporting Actress: Tanvi Azmi, Bajirao Mastani

Best Hindi Film: Dum Laga Ke Haisha

Indira Gandhi Award for Best Debut Film Of A Director: Neeraj Ghaywan, Masaan

Best Popular Film Providing Wholesome Entertainment: Bajrangi Bhaijaan

Best Choreography: Remo D'Souza, Deewani Mastani song in Bajirao Mastani

Best Female Playback Singer: Monali Thakur, Moh Moh Ke Dhage

Best Cinematography: Sudeep Chaterjee, Bajirao Mastani

Nargis Dutt Award for Best Feature Film on National Integration: Nanak Shah Fakir

Best Screenplay Writer (Original): Juhi Chaturvedi (Piku) and Himanshu Sharma (Tanu Weds Manu Returns)

Best Screenplay: Dialogues: Juhi Chaturvedi (Piku) and Himanshu Sharma (Tanu Weds Manu Returns)

Best Malayalam Film: Pathemari

Best Film on Social Issue: Niranayakam

Best Music Direction: M Jayachandran for Song Kaathirunnu Kaathirunnu for the Ennu Ninte Moideen

Best Music Direction: Background Score: Ilaiyaraaja, Thaarai Thappattai

Best Film on Environment Conservation/Preservation: Valiya Chirakulla Pakshikal

Best Children's Film: Duronto

Best Tamil Film: Visaaranai

Best Telugu Film: Kanche

Best Sanskrit Film: Priyamanasam

Best Kannada Film: Thithi

Best Marathi Film: Ringan

Best Maithili Film: Mithila Makhaan

Best Punjabi Film: Chauthi Koot

Best Bengali Film: Sankhachil

Best Konkani Film: Enemy

Best Assamese Film: Kothanodi

Best Haryanvi Film: Satrangi

Best Khasi Film: Onaatah

Best Manipuri Film: Eibusu Yaohanbiyu

Best Mizo Film: Kima's Lode Beyond the Class

Best Odiya Film: Pahada Ra Luha

Best Editing: Late Kishore T.E for Visaranai

Best Costume Designer and Best Make-up Artist for film: Nanak Shah Fakir

88th Academy Awards/ Oscars 2016

Below is the complete winners list:

Best Picture - 'Spotlight'

Best Actor in a Leading Role - Leonardo DiCaprio for 'The Revenant'

Best Actress in a Leading Role - Brie Larson for 'Room'

Best Directing - Alejandro G. Inarritu for 'The Revenant'

Best Original Screenplay - Tom MacCarthy and Josh Singer for 'Spotlight'

Best Adapted Screenplay - Charles Randolph and Adam McKay for 'The Big Short'

Best Actress in a Supporting Role - Alicia Vikander for 'The Danish Girl'

Best Costume Design - Jerry Beavan for 'Mad Max: Fury Road'

Best Production Design - Collin Gibson and Lisa Thompson for 'Mad Max: Fury Road'

Best Makeup and Hairstyling - Lesley Vanderwalt, Benicio Del Toro and Jennifer Garner for 'Mad Max: Fury Road'

Best Cinematography - Emmanuel Lubezki for 'The Revenant'

Best Film Editing - Margaret Sixel for 'Mad Max: Fury Road'

Best Sound Editing - Mark Mangini and David White for 'Mad Max: Fury Road'

Best Sound Mixing - Chris Jenkins, Gregg Rudloff and Ben Osmo for 'Mad Max: Fury Road'

Best Visual Effects - Andrew Whitehurst, Paul Norris, Mark Ardington and Sara Bennett for 'Ex Machina'

Best Short Film (Animated) - Gabriel Osorio and Pato Escala for 'Bear Story'

Best Animated Feature Film - Pete Docter and Jonas Rivera for 'Inside Out'

Best Actor in a Supporting Role - Mark Rylance for 'Bridges of Spies'

Best Documentary (Short Subject) - Sharmeen Obaid-Chinoy for 'A Girl in the River: The Price of Forgiveness'

Best Documentary (Feature) - Asif Kapadia and James Gay-Rees for 'Amy'

Best Short Film (Live Action) - Benjamin Cleary and Serena Armitage for 'Stutterer'

Best Foreign Language Film - Hunagry; 'Son of Saul' directed by Laszlo Nemes

Best Music (Original Score) - Ennio Morricone for 'The Hateful Eight'

Best Music (Original Song) - Jimmy Napes and Sam Smith for 'Writing on a wall' from 'Spectre'

Insolvency and Bankruptcy Code, 2016

Following the recommendations of the Viswanathan Committee (Bankruptcy Law Reforms Committee) set up to study the corporate bankruptcy legal framework in India, the Government introduced a comprehensive Insolvency and Bankruptcy Code, 2015 in Parliament, after public consultation. After careful deliberation and scrutiny the Insolvency and Bankruptcy Code, 2016 has been passed by the Lok Sabha on May 5, 2016 and Rajya Sabha on May 11, 2016, thereby paving the way for the act to come into force, after approval of the President of India.

What is Bankruptcy?

Bankruptcy is a legal status which is usually imposed by a Court on an individual or a firm that is unable to meet debt obligations.

Why is the new Bankruptcy Code required?

Considering the banking and other sectors:

- Banks are increasingly being saddled by the burden of NPAs/Bad Debts and are vulnerable to poor recovery of loans made to the corporate sector. The Gross NPA in India is around 4 Lakh.
- Restructured advances (i.e. the loans whose terms have been revised and which have a higher probability of becoming NPA in the future) have increased manifold.
- Bad Loans of Corporate entities constitute 56% of the total bad loans of public sector banks.
- Presently there are around 70000 pending cases of liquidation in some state of trial in India.
- Presently it takes around 4 years to conclude a case and wind up an ailing company in India (This is almost double the amount of time taken in other countries like China etc.).
- There are around 12 laws (Some of them are more than 100 years old) to tackle Insolvency in India.

In India, currently there are multiple laws dealing with insolvency of a company or an entity, which complicate the process leading to significant delays in closing a company in the case a company goes bust or simply to wind up a company. This situation also dissuades foreign investment since it becomes very difficult for a company of foreign origin to wind up its business and get out.

India also ranks extremely poorly in World Bank's ease of doing business/Resolving Insolvency Ranking:

- Ease of doing Business Ranking – 130 out of 189 countries in 2016.
- Resolving Insolvency Ranking – 136 out of 189 countries in 2015.

The new Bankruptcy Code seeks to consolidate the existing framework and is envisaged to create a new, faster and far more effective institutional framework. It attempts to create a formal **Insolvency Resolution Process (IRP)** for businesses, either by proposing a viable survival mechanism or by ensuring speedy liquidation of the insolvent entity.

Under the ambit of this Bill a new entity, called the **Insolvency and Bankruptcy Board of India** would be set up, to regulate insolvency professionals and information companies - which would store all the credit information of corporate sector.

The Bankruptcy Code has proposed two different authorities to deal with bankruptcy and insolvency scenarios:

The **National Company Law Tribunal** would be tasked to adjudicate cases for companies and limited liability partnerships.

The **Debt Recovery Tribunal** would do the same in cases involving individuals and partnership firms.

Potential of the new law:

Ensures speedy resolution of NPA problems, especially in PSU banks which are in dire need of some relief. Now the Banks have a far more solid mechanism to go after firms and entities that have NPAs and can resolve the issue by either speedily recovering the money or can opt for reconstruction. The time-bound nature of resolution promises a better functioning financial services industry.

- Due to this time bound nature of dispute resolution, the law goes a long way towards ensuring investor confidence and increasing ease of doing business.
- Effective implementation holds the promise of giving a significant boost to job creation through the skills development mission (which aims to create 40 crore jobs by 2022) and should also provide the required ecosystem for the success of “Make in India” initiative.
- It is a positive step and provides impetus for good governance and upholds would the rule of law, since the organisation or the people who file for bankruptcy must repay their debts.
- Any possible demerit could be addressed by holding discussions and by building consensus.

Till date due to the weak insolvency regime, significant inefficiencies and systematic abuse are some of the major reasons that have led to the distressed state of credit markets(Banks/lending institutions) in India. With the enactment of this code the Government has sent a positive signal with promises of bring about far-reaching reforms with a thrust on insolvency resolution that is creditor driven.

Aiming at early identification of fiscal distress and financial failure the law envisages maximising the asset value of an insolvent firm. With provisions to address cross border insolvency through bilateral and reciprocal arrangements with other countries it strives to provide a level playing ground to businesses in India at par with other developed and developing nations.

This Bankruptcy laws accepts that firms and business ventures can fail and it allows entrepreneurs to make a new start. The focus of this unified regime on structured and time - bound process for insolvency resolution and liquidation could significantly improve debt recovery rates and revitalise the ailing Indian Banking System and corporate bond markets.

While it facilitates failed/debt ridden firms to wind up in a painless manner, the code also paves the way for resurrection too.

Basel Norms and Its Effect

Introduction –

- BIS Established on 17 May 1930
- The BIS is the world's oldest international financial organization
- Head office is in Basel, Switzerland and representative offices in Hong Kong SAR and in Mexico City.

BCBS –

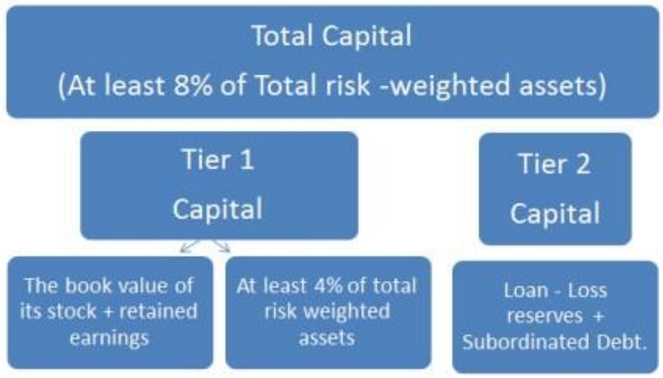
- BCBS is termed as Basel Committee on Banking Supervision .
- BCBS is a set of agreement
- Regulations and recommendations on Credit risk , market risk and operational risk

Purpose of banking supervision is –

- To ensure that banks operate in a safe and sound manner.
- To ensure that banks "hold capital and reserves sufficient to support the risks that arise in their business".
- Sound practices for banks' risk management

Capital Adequacy Ratio (CAR) –

- Capital Adequacy provides regulators with a means of establishing whether banks and other financial institutions have sufficient capital to keep them out of difficulties. Regulators use a Capital Adequacy Ratio (CAR) to assess risk .
- Expressed as a percentage of a bank's risk weighted credit exposures.
- Also known as " Capital to Risk Weighted Assets Ratio (CRAR)" .
- Ratio is used to protect depositors and promote the stability and efficiency of financial systems around the world.



Why Capital Requirement ?

- While bank's assets (loans & Investments) are risky and prone to losses, its liability (deposits) are certain.
- Assets = External Liabilities + Capital Liabilities (deposits) are to be honoured. Hence, reduction In Capital. When Capital is wiped out – Bank Fails.

History of Basel Committee –

- The breakdown of the Bretton Woods system of managed exchange rates in 1973 soon led to casualties . On 26 June 1974, West Germany's Federal Banking Supervisory Office withdrew Bankhaus Herstatt's banking licence after finding that the bank's foreign exchange exposures amounted to three times its capital.
- Basel Committee on Banking Supervision [BCBS] was established by the central-bank governors of the G10 countries in 1974.
- Meets at the Bank for International Settlements in Basel, Switzerland
- Its objective was to enhance understanding of key supervisory issues and improve the quality of banking supervision worldwide.
- Formulates broad supervisory standards and guidelines
- First major result was the 1988 Capital Accord
- In 1997, developed a set of "Core Principles for Effective Banking Supervision", which provides a comprehensive blueprint for an effective supervisory system.
- Later renamed as the Basel Committee on Banking Supervision.
- The Committee was designed as a forum for regular cooperation between its member countries on banking supervisory matters.
- Its aim was and is to enhance financial stability by improving supervisory know how and the quality of banking supervision worldwide.

The Committee seeks to achieve its aims –

1. By setting minimum supervisory standards.
2. By improving the effectiveness of techniques for supervising international banking business.
3. By exchanging information on national supervisory arrangements. And, to engage with the challenges presented by diversified financial conglomerates.

- The Committee also works with other standard-setting bodies, including those of the securities and insurance industries.

- The Committee's decisions have no legal force . Rather, the Committee formulates supervisory standards and guidelines and recommends statements of best practice in the expectation that individual national authorities will implement them.
- In this way, the Committee encourages convergence towards common standards and monitors their implementation, but without attempting detailed harmonisation of member countries' supervisory approaches.
- One important aim of the Committee's work was to close gaps in international supervisory coverage so that-

1. No foreign banking establishment would escape supervision.
2. That supervision would be adequate and consistent across member jurisdictions.

BASEL 1 Norms –

- In 1988, the Basel Committee (BCBS) in Basel, Switzerland, published a set of minimal capital requirements for banks, known as 1988 Basel Accord or Basel 1.
- Primary focus on credit risk
- Assets of banks were classified and grouped in five categories to credit risk weights of zero '0', 10, 20, 50 and up to 100%.
- Assets like cash and coins usually have zero risk weight, while unsecured loans might have a risk weight of 100%.
- Created in 1988, Basel I Capital Accord had general purpose:

1. To strengthen the stability of International Banking System
2. To set up a fair and consistent international banking system in order to decrease competitive inequality among international banks.

- Focused on Credit Risk
- Set up an international 'minimum' amount of capital that bank should hold
- **Tier I (Core Capital) :** Tier I capital includes stock issues (or share holder equity) and declared reserves, such as loan loss reserves set aside to cushion future losses or for smoothing out income variation.
- **Tier II (Supplementary Capital) :** Tier II Capital includes all other capital such as gains on investment assets, long term debt with maturity greater than 5 years and hidden reserves. However, short-term are not included.
- Limited differentiation of credit risk
- Strategic Measure of default risk
- No recognition of term-structure of credit risk
- Simplified calculation of potential future counterparty risk
- Lack of recognition of portfolio diversification effects Pitfall of Basel – I
- According to Basel I, the total capital should represent at least 8% of the bank's credit risk.

Purpose of Basel 1 –

- Strengthen the stability of international banking system.
- Set up a fair and a consistent international banking system in order to decrease competitive inequality among international banks
- To set up a minimum risk-based capital adequacy applying to all banks and governments in the world

Basel 2 Norms (2004) –

Basel II was intended : –

1. To create an international standard for banking system
2. To maintain sufficient consistency of regulations
3. To protect the international financial system
4. To reduce scope of regulatory arbitrage

- Defined new calculation of credit Risk
- Addition of operation risk in the existing norms
- Ensuring that capital allocation is more risk sensitive Basel – II Norms (2004)
- Basel II Norms has Three Pillar Concept , These are as follows :

Basel – 3 Norms (2010) –

- The G-20 endorsed the new 'Basel 3' capital and liquidity requirement as remedy to overcome financial crisis of 2008-2009.

The new accord aims to: –

1. Have special emphasis on Capital Adequacy Ratio
2. Improve banking sectors ability to absorb shocks arising from financial and economic stress
3. Strengthen banks transparency and disclosures

- The accord provides a substantial strengthening of capital requirements
- Places greater emphasis on loss-absorbency capacity on a going concern basis.

Features of Basel 3 –

- Revised Minimum Equity & Tier I Capital Requirements
- Better Capital Quality
- Leverage Ratio
- Liquidity Ratio
- Countercyclical Buffer
- Capital Conservation Buffer
- Ratio under consideration - CAR =

Impact on Indian Banking System –

- Reduced Systematic Risk and absorb economic-finance stress
- Challenge for Weaker Banks to survive
- Increased Supervisory Vigil
- Reorganisation of Institutions with more mergers & acquisitions
- Chances of increased International Arbitrage
- Bank Capital – Increased NPA, reduced Tier II CAR Ratio
- Increased Tier I capital requirement
- Presently PSU banks carry adequate CAR.
- Over next few years, Tier I Capital specially Equity Shares will be of prime importance instead of CAR.
- Public Sector Banks need Rs. 4.15 trillion additionally to meet the requirement – Rs. 2.72 trillion for non-equity capital and approx Rs. 1.43 trillion for equity capital over a period .
- Government to recapitalize an estimated Rs. 900 billion at existing stake holding position or Rs. 660 billion if reduce its shareholding down to 51% .
- Some public sector banks are likely to fall short of the revised core capital adequacy requirement .
- Increase in requirement of capital will affect the ROE of the public banks.

Inflation – Types, Causes, Measurement and Effects

Introduction –

Inflation can be defined as :

- A rise in Price level
- The general level of prices of goods and services
- In an economic over a period of time

Fall in the value of money When the level of currency of a country exceeds the level of production, inflation occurs.
Value of money depreciates with the occurrence of inflation.
In case the general price level rises :

- Each unit of money / currency
- Buys fewer goods and services .
- Consequently inflation also reflects erosion in the purchasing power of money.

Example –

- J In 2014 1 Kg of Rice = Rs 40
- J In 2016 1 Kg of Rice = Rs 60

The above increase in price of wheat . The purchasing power of money has decline as the same amount of good is available at higher price

Hence , the above price rise of wheat over a period of time is called as inflation that is affecting the purchasing power of the people

This in turn reduces the value of money as for each commodity we have to spend more than the previous one .

Definition –

- "Inflation is State in which the Value of Money is Falling and the Prices are rising."
- In Economics, the Word inflation Refers to General rise in Prices Measured against a Standard Level of Purchasing Power.

Types of Inflation –

Explication –

- **Demand Pull Inflation –** Inflation created and sustained by excess of aggregate demand for goods and services over the aggregate supply . In other words , demand pull inflation takes place when increase in production lags behind the increase in money supply
- **Cost Pull Inflation –** Inflation which is created and sustained by increase in cost of production which is independent of the state of demand (e.g. Trade unions can bargain for higher wages and hence contributes to inflation)

- **Stagflation –** In this types there is fall in the output and employment levels . Due to various pressure , the entrepreneurs have to raise price to maintain their margin of profits . But as they only partially succeed in raising the prices , they are faced with a situation of declining output and investment . Thus on one side there is a rise in the general price level and on the other side there is a fall in the output and employment .
- **Open Inflation -** The rate where Costs rise due to Economic trends of Spending Products and Services.
- **Suppressed Inflation -** Existing inflation disguised by government Price controls or other interference in the economy such as subsidies. Such suppression, nevertheless, can only be temporary because no governmental measure can completely contain accelerating inflation in the long run. It is Also Called Repressed Inflation.
- **Galloping Inflation -** Very Rapid Inflation which is almost impossible to reduce.
- **Creeping Inflation -** Circumstance where the inflation of a nation increases gradually, but continually, over time. This tends to be a typically pattern for many nations. Although the increase is relatively small in the short-term, as it continues over time the effect will become greater and greater.
- **Hyper Inflation -** Hyperinflation is caused mainly by excessive deficit spending (financed by printing more money) by a government, some economists believe that social breakdown leads to hyperinflation (not vice versa), and that its roots lie in political rather than economic causes.

Causes of Inflation –

Factors on Demand Sides –

- Increase in money supply
- Increase in Export
- Increase in disposable income
- Deficit financing
- Foreign exchange reserves

Factors on Supply Side –

- Rise in administered prices
- Erratic agriculture growth
- Agricultural price policy
- Inadequate industrial growth

Black money (fake currency)

Increase in public expenditure

Decrease in the aggregate supply of goods and services

Effect of Inflation –

- They add inefficiencies in the market, and make it difficult for companies to budget or plan long-term.

- Uncertainty about the future purchasing power of money discourages investment and saving.
- There can also be negative impacts to trade from an increased instability in currency exchange prices caused by unpredictable inflation.
- Higher income tax rates.
- Inflation rate in the economy is higher than rates in other countries; this will increase imports and reduce exports, leading to a deficit in the balance of trade.

Measurement of Inflation –

The 2 ways of Measuring Inflation are –

1. CPI
2. PPI

- Inflation is measured by general prices index . General price index measures the changes in average prices of goods and services . A base year is selected and its index is assumed as 100 and on this basis price index for the current year is calculated . If the index of the current year is below 100 , it indicates the state of deflation and , on the contrary , If the index of the current year is above 100 it indicate the state of inflation
- Inflation rate and the value of money (Or the purchasing power of money) are inversely correlated . Hence , the value of money can also be measured with the help of price indices . The value of money declines when price index goes up and Vice-Versa.

Consequences of Inflation –

- Adverse effect on production
- Adverse effect on distribution of income
- Obstacle to development
- Changes in relative prices
- Adverse effect on the B.O.P (Balance of Payment)

Measures of Inflation –

Monetary policy

- Credit Control
- Demonetization of Currency
- Issue of New Currency

Fiscal policy

- Reduction in Unnecessary Expenditure
- Increase in Taxes
- Increase in Savings
- Surplus Budgets
- Public Debt

Other Measures

- To Increase Production
- Rational Wage Policy
- Price Control

Inflation a threat to Indian economy -

- Inflation has become a household name for millions of Indians who are finding it extremely difficult to make both ends meet. Prices are growing faster than the household income almost for all products and services including real estate, food, transportation, luxuries.
- The global economic crisis saw many economies stumble but India rebounded faster and was surging ahead with a growth rate of 9%. But the inflationary pressure is forcing the government to adopt measures which are taking the steam out of the Indian growth story
- For the last two years India is witnessing double digit food inflation which had reached a high of around 18% in December 2010 with prices of onions, garlic and tomatoes skyrocketing. Lentils, milk and meat have witnessed a steady rise in prices which is putting pressure on the home budget of millions of Indians.
- Millions of poor people in India are struggling to arrange a two-square meal for their family members. We are running the risk of having an entire generation of malnourished children who are otherwise considered the future of India.
- The tightening of the economy may control inflation in the long run but it is also slowing our economy and as predicted by the IMF India's growth will be only around 6-7% instead of 9%.

Current status of inflation in India –

- Currently inflation rate is around 9.44% in India, much above the acceptable rate of 5%.
- The food price index is at 8.31% causing much discomfort to the policymakers. which under the current scenario seems impossible.

How to Control Inflation –

Monetary Measures –

- Credit Control
- Issue of new currency

Fiscal Measures –

- Reduction in Unnecessary Expenditure
- Increase in taxes
- Increase in savings
- Surplus Budgets
- Public Debts
- To increase in production
- Rational wage policy
- Price control
- Rationing

Facilities Provided by India's Bank

Bank Name	Mobile Banking/ App	Internet Banking	Loans/ Lockers	Debit Card/ Credit Card
Allahabad Bank	AllMobile		AB Aashiana Scheme.	
Andhra Bank	AB-Mobile Banking			
Bank of Baroda	Baroda M-Connect.			
Bank of India	Star Connect Mobile Banking, PatMate.			
Bank of Maharashtra	Maha Mobile Banking.			
Bharatiya Mahila Bank Ltd			Doctor's Loan, Her Auto Loan.	
Canara Bank	CanMobile Canara mWallet			
Central Bank of India	Cent Mobile.			
Corporation Bank	CorpBank App.		Corp Kiran, Apke Dukan.	

Dena Bank	Dena MConnect.			
IDBI Bank	Go Mobile.			
Indian Bank	IndPay Mobile Banking.			
Indian Overseas Bank	IOB Mobile.			
Oriental Bank of Commerce	OBC m-Pay.			
Punjab National Bank	PNB Mobile.			
Punjab and Sind Bank	PSB mPay.			
State Bank of India	SBI Buddy SBI-Quick mVisa State Bank Samadhaan, State Bank Anywhere State Bank Freedom	mCASH .	Project Tatkal, SBI FlexiPay ,Home Loan .	sbiINTOUCH, SimplyCLICK.
Syndicate Bank	SyndMobile.			

UCO Bank	UCO mBanking.			
Union Bank of India	U-Mobile.			
United Bank of India	United m-Banking.	United Quick Pay e-Banking.		
Vijaya Bank	V-Mobile, V-FreeBuzz.	V-Abacus, V-Net Banking.		
Axis Bank	LIME app. Airtel Money (AXIS Bank + Airtel)	Ping Pay	10-second paperless instant loan Scheme, AXIS Kisan Card.	First contactless debit & credit card.
Federal Bank	FedBook Selfie			
HDFC	iWatch, Chillr, Pay Zapp.			
ICICI Bank	iMobile, M-Pesa, Pockets, First bank to launch Voice Password for Phone Banking .	mVisa	ICICI Bank Saral-Rural Housing Loan, Smart Vault (Locker) .	India's first contactless debit & credit card.
Kotak Mahindra	Kotak Bharat			

Bank	Banking			
MUDRA Bank				Shishu, Kishor, Tarun.
South Indian Bank	SIB Mirror	Sibernet.		

Powers of SEBI - Securities and Exchange Board of India

1. Power relating to stock exchanges &intermediaries

SEBI has wide powers regarding the stock exchange and intermediaries dealing in securities. It can ask information from the stock exchanges and intermediaries regarding their registration transaction for inspection or scrutiny and other purpose.

2. Power to impose monetary penalties

SEBI has been empowered to impose monetary penalties on capital market intermediaries and other participants for a range of violations. It can even impose suspension of their registration for a short period.

3. Power to initiate actions in functions assigned

SEBI has a power to initiate action is regard to function assigned . For example ,it can issue guidelines to different intermediaries or can introduce specific rules for the protection of interests of investors.

4. Power to initiate actions in function assigned

SEBI has power to regulation insider trading or can regulate the function of merchant bankers.

5. Powers under Securities Contracts Act

For effective regulation of stock exchange , the Ministry of Finance issued a Notification on 13 September,1994 delegating several of its powers under the securities Contracts Act to SEBI.

SEBI is also empowered by the Finance Ministry to nominate three members on the Governing body of every stock exchange

6. Power to regulate business of stock exchanges

SEBI is also empowered to regulate the business to stock exchanges, intermediaries associated with the securities market as well as mutual funds, fraudulent and unfair trade practices relating to Securities ad regulation of acquisition of shares and takeover of companies.

Non-performing Assets (NPAs)

Non-Performing Assets are loans given by a Bank or financial intuitions where the borrower defaults or delays interest or principal payments.

According to RBI, any loan repayment which is delayed beyond 90 days in continuation has to be identified as an NPA.

NPA's are further sub classified into

- **Sub-Standard Assets** are those which are non-performing for a period not exceeding two years.
- **Doubtful Assets** are those loans which have remained non-performing for a period exceeding two years but which are not considered as loss assets.
- **Loss Assets** is one where loss has been identified but the amount has not been written off, wholly or partly. In other words, such as asset is considered non-recoverable.

SARFAESI Act, 2002

- The SARFAESI Act provides for setting up of asset reconstruction companies for acquiring financial assets including NPAs which helps in clearing balance sheet of banks.
- The most important provision of the Act is regarding the enforcement of security interest of banks without interventions of courts.

To enforce the security as aforesaid, the following conditions need to be fulfilled

1. The borrower has committed a default in payment and account is classified as NPA.
2. The secured creditor has given a notice in writing to the borrower to discharge his liabilities within 60 days from the date of receipt of such notice.
3. The borrower has failed to comply with the said notice.
4. The amount due from the borrowers in more than Rs. 1 lakh.

In case the borrower fails to discharge his ability in fully with in stipulated period of 60 days, the secured creditor may take recourse to one or more of the following measures.

1. By taking possession of the secured assets including the right to transfer by way of lease, assignment or sale for releasing the secured assets.
2. By taking over the management of the secured assets.
3. By appointing a manager to manage the secured assets.

4. By requiring any third party who has acquired the secured assets from borrower.

- In case of a consortium advance, the aforesaid actions can be taken only when secured creditors representing 75% or more in value agree for such action.

IMPORTANT QUESTIONS

1. What is a balance on Current Account?

A country's receipt minus payment for current account transactions equals the balance of trade plus net inflows of transfer payments.

2. What area ways and means advances?

Ways and means advances is the short-term credit from the central bank (RBI) to the government which allows the government to meet its immediate requirements. If the government wants money above this it will have to borrow by issuing bonds, which are auctioned by RBI.

3. Who was the first Governor of Reserve Bank of India?

Sir Osborne Smith was the first governor of RBI of India.

4. What is board for Financial Supervision?

The Reserve Bank of India performs the function of financial supervision under the guidance of the Financial Supervision Board (BFS). The board was constituted in November 1994, as a Committee of the Central Board of Directors of the Reserve Bank of India.

5. What is Islamic Banking?

Islamic Banking refers to a system of banking or banking activity that is consistent with Islamic (sharia) law principles and guided by Islamic Economies. In particular, Islamic Law prohibits unsury, the collection and payment of interest. India's first Islamic bank was first opened in Kerala.

Masala Bonds - All You Need to Know

What are Bonds?

Bonds are debt instruments which allow the companies or govt. to raise funds only by incurring debt and lender is guaranteed of a fixed repayment (Principle and Interest).

What are instrument available with Company to raise funds?

1. Issue Bonds – Companies will have to pay the fixed amount when the bond matures.
2. Issue Shares – Companies would like to raise money, but don't want it as a debt, so company will issue shares.

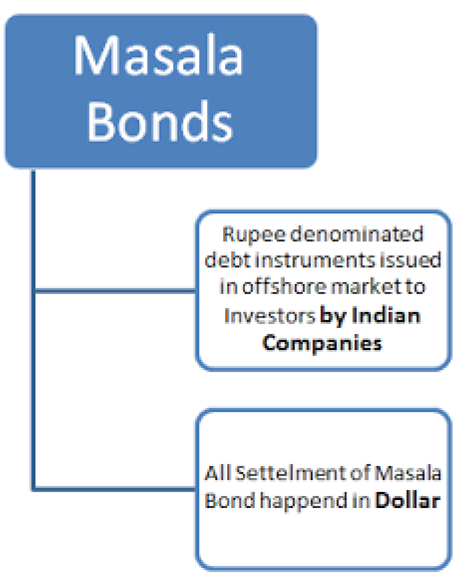
How the bonds are more secure than the shares?

In case of **liquidation** of the company, the bond holders get their claim before the share holders.

Masala Bond is nothing but a bond in Indian rupee denominated bonds issued in

offshore capital markets .

Introduction of Masala Bonds



The bonds listed on the London Stock Exchange (LSE) is termed as Masala Bonds. These bonds are offered and settled in US dollar to hike Indian Rupee in International market . These bonds helps to raise Indian rupees from International investors for infrastructural development in India. International Financial Corporation (IFC) converts bond from dollars into rupees and uses the rupees to finance private sector investment in India. The term Masala bond was coined by IFC and it recognized globally. 'Masala' refers to spices and it evokes the culture and cuisines of India. These bonds can be issued by Indian corporates only. No bank is allowed to issue Masala bonds Some of the corporates like HDFC, Indian Railway Finance Corporation and NTPC are willing to raise funds abroad . The major component of Masala Bond is its hedging costs. The rupee-dollar equation plays an important role and the stability of this equation gives an assurance and confidence to invest. IFC issues Masala bond in the offshore market. The price of a bond is denominated in Indian currency and not in the US dollars, but it is paid in dollars after maturing.

Why Masala Bond?

Masala bonds has a quite significance for the Indian economy. Indian Issuers face less risk in Masala bond as compared to bond markets. The currency risk is entirely borne by the foreign Investors. Masala Bonds are issued to foreign investors and settled in US dollars. Unlike external commercial borrowings (ECBs), where Indian companies raise money in foreign currency loans, the currency risk lies with the investor and not the issuer, Masala bonds are similar to external commercial borrowings (ECBs), in which Indian companies raise funds in foreign currency and are exposed to rupee-dollar fluctuations. If ECBs (External Commercial Borrowings) help companies to take advantage of the lower interest rates in international markets, the cost of hedging the currency risk is significant, but If unhedged, adverse exchange rate movements bites the borrower. Inversely in the case of Masala bonds, the cost of borrowing can work out much low. Overseas investors will be eligible to hedge their exposure in rupee through permitted derivative products with banks in India to hedge the riskes. It helps Indian companies to diversify their bond portfolio. Earlier, companies used to issue only corporate bonds. Masala bonds are an addition to their bond portfolio. It helps the Indian companies to reduce the cost. Bonds issued in Indian companies carries an interest rate of 7.5%-9.00%, whereas Masala Bonds are issued below 7.00% interest rate outside India. It also helps Indian companies to attract a large number of investors as these bonds are issued in the offshore market. An offshore investor earns better returns by investing in Masala bonds rather than by investing in his home country. If the rupee appreciates at the time of maturity, then An investor will benefit from his investment in Masala bonds.

Facts Rules of Masala Bonds –

- As per RBI guidelines, not only corporates but also Real Estate Investment Trusts (REITs) and Infrastructure Investment Trusts (InvITs) are eligible to issue these bonds.
- These bonds can be privately placed or listed on exchanges as per host country regulations.
- These bonds will be issued for a minimum maturity period of 5-years.

What's new in the Masala Bonds?

Basically, **overseas rupee bonds** are known as Masala bonds.

- Indian firms have earlier raised money abroad through bonds and other forms of borrowings, but always in **foreign currency**, mainly via ECBs (External commercial borrowings).
- However, the **first overseas rupee bonds** were issued in 2013 by the International Finance Corporation, the World Bank's private sector investment arm.
- To raise funds for capital expenditure, the **Indian Railway Finance Corporation** will be issuing bonds denominated in rupees.

What are the risk faced by Indian companies associated with foreign currency overseas bond?

- An Indian company issuing an overseas bond (i.e. in other currencies specially dollar) **runs into a risk** on account of **currency fluctuation**.
- If rupee weakens during the period of bond, then it **adds significantly to costs** at the time of repayment, normally at the end of 5 years.

How Masala Bonds will benefit Indian companies?

- If the issuer, issues bonds in rupees, then he **gets rid of this risk** (currency fluctuation) which passes on to the investor.

- This bond brings a **new and diversified set of investors** for Indian companies and more liquidity in foreign exchanges, apart from bank-funding and the corporate bond market in India.

Does Masala bond offer something to the foreign investors?

- The investor who purchases a bond issued by an Indian entity is betting on India, in a hope that the **currency and inflation would be stable** enough to ensure good returns after hedging for foreign exchange risks.
- With **India's GDP or national income rising** and projected to grow at a reasonably fast clip over the next few years, many overseas investors would like to buy into such bonds to join the party and to **earn higher returns** compared to the US and Europe where interest rates are still low.

How does Govt. and RBI view Masala Bonds?

- The local currency bond markets can contribute to **financial stability** by **reducing currency mismatches** and extending the duration of debt.
- It will also be a sign of early **acceptance** of the Indian currency in trading and settlement overseas, showing the confidence of investors and can lead to **internationalization** of the currency over the **medium and long term.**
- Foreign investors prefer to hedge their **risks overseas** because there are limited products in the Indian market, especially for longer periods.
- The other worry, if the overseas rupee bond market takes off, will be about the **growth of the Indian corporate bond market** and Indian banks as top companies shift to another market, impacting the growth here.

Was such an approach adopted by any emerging economies in past?

- China's People's Bank of China has previously issued **yuan denominated bonds**(Dim Sum Bonds) to raise funds at a little over 3%.
- Japan had also floated yen denominated bonds called as 'Samurai'

Let's take into account the differences between India and China!

1. Unlike China, the Indian govt. has **never borrowed abroad** on its own, preferring to push its state owned firms, instead.
2. RBI, unlike the Chinese central bank, **cannot issue debt** with no legal sanction for it.

Types of NRI Bank Accounts

At present bank accounts for Non- Resident Indian (NRIs) has three categories :

1. NRE- Non -resident (external) rupee account.

2. NRO- Non- resident (ordinary) rupee account.

3. FCNR(B) - Foreign currency non-resident (banks)accounts.

These accounts can be distinguished as follows:

- While NRO and NRE accounts can be kept in the from of current , saving or term deposit accounts, while FCNR(B) deposit can be kept only in the form of term deposits, for period ranging from 6 months to 3 years.
- **Money from an NRO account is non-repatriable**, but NRE and FCNR deposits are repatriable.
- Remittances from abroad can be credited to any of these accounts . But earnings of NRIs on the property held by them in India, which are non-repatriable , can be credited only to NRO accounts.
- Interest earned on NRO accounts is eligible for repatriation.
- An NRO account may be jointly held with residents while NRE and FCNR (B) accounts cannot be jointly held with residents . But Indian resident power of attorney is permitted for local payments and investments in India.
- Balance held in NRE/FCNR accounts are exempted from wealth tax and interest earned is exempted from income tax. There are no tax exemptions on interest earned on NRO accounts.

Easy way

In simple terms NRIs can deposit income from Abroad in NRE accounts while income earned from Indian property need to be desposited in NRO accounts. This money is Non-Repatriable while interest earned on such money is Repatriable, means it can be converted into any foreign currency.

FCNR(B) accounts are meant for term deposits.

Note

Repatriable and Non-Repatriable accounts are two important terms used in the above explanations.

Repatriable Accounts : Indian rupees can be transferred back to foreign currency, in simple terms Indian Rupee can be converted to any foreign currency.

Non-Repatriable Accounts : Money cannot be converted to any foreign currency.

Sovereign Gold Bond Scheme 2016 – Series II

Main Features of the Sovereign Gold Bond Scheme 2016 – Series II are:

a) The Bonds will be sold through **Banks, Stock Holding Corporation of India Limited (SHCIL) and designated Post Offices**. The borrowing through issuance of the Bond will form part of market borrowing programme of the Government of India.

b) In terms of GoI notification F.No.4(19)-W&M/2014 and RBI circular IDMD.CDD.No. 2020/14.04.050/2015-16 dated March 4, 2016, applications for the bond will be accepted from **March 8, 2016 to March 14, 2016**.

c) The Bonds will be issued on **March 29, 2016.**

d) The issue price of the Sovereign Gold Bond for the third tranche has been fixed at **Rs.2916/- (Rupees Two Thousand Nine Hundred Sixteen only)** per gram of gold.

e) The rate has been fixed on the basis of simple average of closing price for gold of **999 purity** of the previous week (February 29, 2016 to March 4, 2016) published by the **India Bullion and Jewellers Association Ltd. (IBJA)**.

Honourable Finance Minister had announced in Union Budget 2015-16 about developing a financial asset, Sovereign Gold Bond, as an alternative to purchasing metal gold. Accordingly, two tranches of issuances have been undertaken during 2015-16, so far. The features of the Bond are given below:

Other Features of the Sovereign Gold Bond Scheme 2016 – Series II

Item	Details
Product name	Sovereign Gold Bond 2016 – Series II
Issuance	To be issued by Reserve Bank India on behalf of
Eligibility	The Bonds will be restricted for sale to resident
Denomination	The Bonds will be denominated in multiples of
Tenor	The tenor of the Bond will be for a period of 8
Minimum size	Minimum permissible investment will be 2 units
Maximum limit	The maximum amount subscribed by an entity
Joint holder	In case of joint holding, the investment limit of

Frequency	The Bonds will be issued in tranches. Each
Issue price	Price of Bond will be fixed in Indian Rupees on
Payment option	Payment for the Bonds will be through cash
Issuance form	Government of India Stock under GS Act, 2006.
Redemption price	The redemption price will be in Indian Rupees
Sales channel	Bonds will be sold through banks, SCHIL and
Interest rate	The investors will be compensated at a fixed
Collateral	Bonds can be used as collateral for loans. The
KYC Documentation	Know-your-customer (KYC) norms will be the
Tax treatment	The interest on Gold Bonds shall be taxable as
Tradability	Bonds will be tradable on exchanges/NDS-OM
SLR eligibility	The Bonds will be eligible for Statutory Liquidity
Commission	Commission for distribution of the bond shall be

Important Full Forms or Abbreviations from this Topic:

HUF - Hindu Undivided Family

IBJA - India Bullion and Jewellers Association Ltd.

KYC - Know Your Customer

LTV - Loan-to-Value

PAN - Permanent Account Number

SHCIL - Stock Holding Corporation of India Limited

TAN - Tax Deduction Account Number

Small Finance Banks in India

The small banks are to provide a whole suite of basic banking products such as deposits and supply of credit, but in a limited area of operation. Key features of the Small Finance Bank guidelines are:

a) Objective:

The objective for these Small Banks is to increase financial inclusion by provision of savings vehicles to under-served and unserved sections of the population, supply of credit to small farmers, micro and small industries, and other unorganised sector entities through high technology-low cost operations.

b) Registration:

The small bank shall be registered as a public limited company **under the Companies Act, 2013**.

c) Committee on Small Banks :

Usha Thorat Committee

d) Validity :

The "in-principle" approval granted will be valid **for 18 months** to enable the applicants to comply with the requirements under the Guidelines and fulfill other conditions as may be stipulated by the RBI.

e) Eligibility:

Resident individuals with 10 years of experience in banking and finance, companies and Societies will be eligible as promoters to set up small banks. NFBCs, micro finance institutions (MFIs), and Local Area Banks (LABs) can convert their operations into those of a small bank.

f) Capital Requirement:

The minimum paid-up equity capital for small finance banks shall be **Rs. 100 crore**.

g) Operation:

Small banks will offer both deposits as well as loan products. They cannot set up subsidiaries to undertake non-banking financial services activities. For the first three years, 25 per cent of branches should be in unbanked rural areas. For the initial three years, prior approval will be required for branch expansion.

h) Loans & Advances:

The maximum loan size and investment limit exposure to single/group borrowers/issuers would be restricted to **15 per cent of** total capital funds. Loans and advances of up to Rs 25 lakhs, primarily to micro enterprises, should constitute at least 50 per cent of the loan portfolio.

i) Foreign Shareholding:

The foreign shareholding in the small finance bank would be as per the Foreign Direct Investment (FDI) policy for private sector banks as amended from time to time.

j) Names of Small Finance Bank:

1. Au Financiers (India) Ltd., Jaipur

2. Capital Local Area Bank Ltd., Jalandhar

3. Disha Microfin Private Ltd., Ahmedabad

4. Equitas Holdings P Limited, Chennai

5. ESAF Microfinance and Investments Private Ltd., Chennai

6. Janalakshmi Financial Services Private Limited, Bengaluru

7. RGVN (North East) Microfinance Limited, Guwahati

8. Suryoday Micro Finance Private Ltd., Navi Mumbai

9. Ujjivan Financial Services Private Ltd., Bengaluru

10. Utkarsh Micro Finance Private Ltd., Varanasi

Credit Rating Agencies and their Investment Grades

Credit Rating Agencies evaluate the evaluates credit worthiness of an individual, business or governments after studying their financial status, industrial risks and market conditions. These agencies work on the request of companies.

At present four credit Ration Agencies are working in the country. Credit Rating Information Services of India Limited (CRISIL) , Investment Information and credit Rating Agency of India Ltd.(ICRA) ,Credit Analysis and Research Ltd.. (CARE) and Duff Falps Credit Rating Private Ltd. (DCR India) . CRISIL is the first Credit Rating Agency of the country which started its functioning since January 1988.

Investment Grades of Credit Rating Agencies in India

Investment Grades	CRISIL	Credit Rating	CARE
Long Term Debentures			
Higest Safety	AAA	LAAA	CARE AAA
High Safety	AA	LAA	CARE AA
Adequate Safety	A	LA	CARE A
Inadequate Safety	BB	LBB	CARE BB
High Risk	B	LB	CARE B
Mid Term Debentures			
Highest Safety	FAAA	MAAA	CARE AAA

High safety	FAA	MAA	CARE AA
Adequate safety	FA	MA	CARE A
Inadequate Safety	FB	MB	CARE BB
High Risk	FC	MC	CARE B
Short Term Debentures			
Highest safety	P1	A1	PR1
High safety	P2	A2	PR2
Adequate Safety	P3	A3	PR3
Inadequate Safety	P4	A4	PR4
High Risk	-	-	-

GST Bill : India's Biggest Tax Reform

Ongoing GST issue is very important in banking exam point of view in following way.

- Direct questions in G.A. section
- Group Discussion topic for SBI PO
- Important topic for upcoming Interviews (SBI)
- Important topic for descriptive paper for upcoming RBI mains exam
- Important topic for Reading Comprehension for upcoming IBPS PO,RRBs exams

The Constitution (122nd Amendment) Bill, 2014 was approved by the Upper House with 203 votes in favour and none against.Six official amendments, including scrapping of one per cent additional tax, moved by the government were approved with cent per cent votes.The bill was passed by the Lok Sabha earlier. It will now go back to the Lower House to incorporate the amendments approved by the Rajya Sabha. The bill will also have to be approved by 50 per cent of all the state assemblies.Let's see details about this.

What is GST

GST is being introduced in the country after a 13 year long journey since it was first discussed in the report of the Kelkar Task Force on indirect taxes.The Goods and Service Tax (GST) will be a comprehensive nationwide indirect tax on manufacture, sale and consumption of goods and services throughout India. The aim is to have one indirect tax for the whole nation, which will make India a unified common market.

Working of GST

GST is a single tax on the supply of goods and services, right from the manufacturer to the consumer. Taxes paid at each stage will be available in the subsequent stage of value addition, which makes GST essentially a tax only on value addition at each stage. The final consumer will thus bear only the GST charged by the last dealer in the supply chain, with set-off benefits at all the previous stages.In other words, the prices that we pay for goods and services have the taxes embedded in them. Mostly, the consumers are not even aware of or ignore the tax they pay for things they buy.This is because there is a maze of indirect taxes such as sales tax, excise and VAT, which leads to increased complexity. The GST seeks to untangle this and subsume all in one single tax, thereby making India an economically unified market

- Central level taxes : Central Excise Duty, Additional Excise Duty, Service Tax, Countervailing Duty, and Special Additional Duty of Customs
- State level taxes : State Value Added Tax/Sales Tax, Entertainment Tax, Central Sales Tax, Octroi and Entry tax, Purchase Tax, Luxury tax, and Taxes on lottery, betting and gambling

Benefits of GST

- Amalgamating several central and state taxes into a single tax will mitigate cascading or double taxation, facilitating a common national market
- This would be beneficial for consumers as the tax burden on interstate logistics will be cheaper
- A common tax would mean easy compliance and uniformity of tax rates and structures for industry and would thus contribute to ease of doing business by removing cascading costs
- For central and state governments, GST is expected to lead to easier administration and enforcement
- From the consumer point of view, the biggest advantage would be in terms of a reduction in the overall tax burden on goods
- GST is expected to decrease the cost of collection of tax revenues of the Government, and will therefore, lead to higher revenue efficiency

Highlights Of Bill

- Parliament and state legislature have concurrent power to make law about GST
- Alcohol for human consumption has been exempted from purview of GST. GST will apply to five petroleum products on later date

1) Petroleum crude
2) High speed diesel
3) Motor spirit (Petrol)
4) Natural gas
5) Aviation turbine fuel

- GST council will recommended rate of tax,period of additional levy tax,GST council will consist Union Finance Minister,Union minister of state for revenue and state finance minister
- Parliament may, by law,provide compensation to the states for any loss of revenue from introduction of GST to five years period

GDP, GNP and National Income – Explained

Gross Domestic Product (GDP) is a measure of the total flow of goods and services provided by the economy over a specified time period, normally one year.

- Outputs of goods and services are valued at market price and their values aggregated to obtain the GDP. The value of all intermediate goods (Goods used to produce other goods) is excluded and only the value of the goods used for final consumption or investment goods (capital) or exchanges in stocks are included.
- The income arising from investments and possessions owned abroad is not included and only the value of the flow of goods and services produced in the country is estimated.
- When deduction is made for the 'wear and tear' of capital or what is known as depreciation or capital consumption, from GDP, we get the Net Domestic Product (NDP).
- When we add the GDP the net earnings from abroad (the income accruing to domestic residents from investments abroad – the income earned in the domestic market accruing to foreigners abroad), we get the Gross National Product (GDP).
- When such net earnings are adding to the Net Domestic Product (NDP), we have the Net National Product (NNP). The NNP at factor cost is the National Income (NI) of the country.
- Gross Domestic Product (GDP) is the monetary value of all the finished goods and services produced within a country's territory in a specific time period.
- GDP is usually calculated on an annual basis. It includes all of private and public consumption, government outlays, investments and exports less imports that occur within a defined territory.

POINTS TO REMEMBER

- **GDP (At market price)** = GDP at factor cost + Net indirect taxes.

- **Net National Product (At market price)** = GNP at market prices – Consumption of fixed capital (Depreciation).
- **Net National Product (At factor cost)** = NNP at market prices – Net indirect taxes = National Income.
- **Per Capita Income** is derived by dividing the total National Income of a country by its total population.
- **Per Capita Income** = National income / population
- An increase in National income in real terms does not necessarily meanan increase in the Per Capita Income. It rather depends on the rate of population growth.
- National income figures give picture of the economy of a nation and also provide the respective contributions of the different sectors economy. In addition details of changes in savings, investment and consumption.
- In India, an accounting year is from April 1st of a calendar year to March 31st of the next calendar year.
- The Central Statistical Organization (CSO) prepares the annual national accounts.

FACTORS DETERMINE NATIONAL INCOME

National resources / human resources / organization of the factors of production / population size or extent of foreign trade / political system stability / technical knowledge and infrastructure / external factors-loans and favourable terms of trade.

Questions to revise

What is meant by the Current Account of the country?

The Current Account of the Country: It relates to the trade of goods and services (exports and imports), profits gained on investments and remittances by those working overseas.

Current account deficit means that the total of imports is greater than the total exports which make the country a debtor to the world.

The government constituted a committee on the banking sector reforms. Can you name it?

The government constituted a committee on the banking reforms under the chairmanship of M Narasimham in 1997 with the objective internal autonomy for Public Sector Banks in their decision making process to strength India's financial system and make it internally competitive.

What is Lead Bank Scheme?

The Reserve Bank of India introduced the Lead Bank Scheme in 1969 under which designed banks were made key instruments for local development and were entrusted with the responsibility of identifying growth centers, and co-ordinate approach for credit deployment in each district

7 Monetary Policy Tools in hands of RBI

Impact of increased CRR

Positive impact - It is a quick fix to control inflation. By increasing CRR, commercial banks need to deposit more money with RBI. Thus commercial banks left with less money. Now loans become dearer, so people have less money. As

Less money with Commercial banks → Less money with people → Lower demand for goods and services → Lower prices

Higher CRR simply sucks money from the economy.

Impact of decreased CRR

More money with Commercial banks → More money with people → Higher demand for good sand services → Higher prices

CRR should be aligned with supply and production levels. If people are producing more then they deserve to spend more. Decreased CRR provides a short term fix as it increases demand for short term.

Statutory liquidity ratio

This is the percentage of liabilities and time deposits that commercial banks need to keep with them in form of cash, gold or government approved securities.

Impact of increase in SLR

Commercial banks need to keep more liquid funds → Provides less loans to people → Lower demand for good sand services → Lower prices

Impact on decrease in SLR

Commercial banks need to keep less liquid funds → Provides more loans to people → Higher demand for good sand services → Higher prices

Repo and Reverse Repo rates

Repo rate

It is the rate at which RBI lends money to commercial banks against securities in case commercial banks fall short of funds.

Reverse Repo Rate

Rate at which RBI borrows money from commercial banks.

Impact

If commercial banks get more money they will lend more money to people which will lead more demand in economy. Thus prices will increase.

Bank rate

It is a rate at which RBI lends money to commercial banks **without any security**.

Impact

When bank rate is increased interest rate also increases which have negative impact on demand thus prices increases.

Marginal Standing Funding

By this mechanism commercial banks can get loans from RBI for their emergency needs. Commercial banks can take loan only upto 1% of their liabilities and time deposits.

Open market operations

Buying and selling government securities and bonds in order to manage liquidity in the economy.

Impact of purchasing securities

More money in economy → More demand → Higher growth rate

Impact of selling

Less money in economy → Less demand → Lower prices

Conclusion

Many economist says effect of "More demand" is higher growth rate while some says higher prices. While it is actually state of economy. Money supply should be aligned with production rate.

Types of Non-Banking financial Companies(NBFCs)

Non- Banking financial Companies (NBFCs)	Principal Business
Equipment Leasing Company (EL)	Equipment leasing of financing of such activity
Hire Purchase Finance Company (HP)	Hire purchase transaction or purchasing or such transaction.

Investment Company (IC)	Acquisition of securities and trading in such securities to earn a profit
Loan Company (LC)	Making loans or advances for any activity other than its own; EL/HP; housing Finance
Residuary Non- Banking Companies (RNBCs)	Receives deposits under any scheme or arrangement , by whatever name called, in one lump-sum or in installment by way of contributions or subscriptions or by sale or units or certificates or other instruments , or in any manner
Mutual Benefit Financial Companies (MBFC) i.e. Nidhi Company	Any company which is notified by the central Government as a Nidhi Company under section 620A of the companies Act, 1956. It is a NBFC doing the business of lending and borrowing with its members or shareholders.
Miscellaneous Non- Banking Company (MNBC) i.e. Chit fund Company	Managing . conducting or supervising as a promoter , foreman or agent of any transaction or arrangement by which the company enters into an agreement with a specified number of subscribers that every one of them shall subscribe a certain amount in installments over a definite period and that every one such subscribers shallin turn, as determined by lot or by auction or bye tender or in such manner as may be provided for in the arrangement . be entitled to the prize amount.

Cheques - Types and Crossing of Cheques

PARTIES TO CHEQUE

- **DRAWER** - The person who signs the cheque and order for payment
- **DRAWEE** - It is always bank on which cheque is drawn and is ordered to pay the amount of cheque.
- **PAYEE** - The person to whom the cheque is payable. (In many cases, drawer and payee can be the same person.)

TYPES OF CHEQUES

(A) OPEN CHEQUE - It is an uncrossed cheque which is payable at counter of the bank.

It can be Bearer Cheque or Order Cheque .

- **BEARER CHEQUE** - When a cheque is payable to a person whose name appears on the cheque or to the bearer i.e. to the person who presents the cheque to the bank for encashment, is called bearer cheque. It can be transferred by mere delivery and do not need endorsement.
- **ORDER CHEQUE** - When a cheque is payable to person named in the cheque or to his order, is called Order Cheque.When the word Bearer is cancelled , the cheque becomes the order cheque. It can be transferred only by endorsement and delivery.

(B) CROSSED CHEQUE - It is the cheque on which two parallel transverse lines are drawn across the top left , with or without the word :

(i) ' & Co.'

(ii) Not Negotiable

(iii) A/c Payee

It can not be encashed at the counter of the bank , can only be credited to the account of the payee.

(C) STALE CHEQUE - The validity of cheque is for three months. It cheque is not presented within the three months, it got expired and becomes the Stale Cheque or Out-dated cheque.

* Earlier the validity of cheque was for six months, it has been reduced to three months, with effect from April 1, 2012.

(D) ANTE- DATED CHEQUE - A cheque contains the date on which it is drawn. If it bears a prior date or back date, it is called Ante-Dated cheque. Bank will honour this cheque until it exceed the three months, i.e. stale period of cheque.

(E) POST-DATED CHEQUE - If the cheque bears the date later than the date on which it is drawn, is called Post-Dated Cheque. This cheque can not be honoured before the date written on it.

(F) MULTILATED CHEQUE - A cheque which is torn into pieces is called Multilated cheque.

CROSSING OF CHEQUES

Crossing of Cheques means to draw two lines transverse parallel on left hand corner of the cheque.It directs the bank to deposit the money directly into the account and not to be pay cash at the bank counter.

MODES OF CROSSING

Below are the modes of crossing of cheques and the effect of crossing of cheques:

(1) GENERAL CROSSING - When a cheque bears two transverse parallel lines at the left hand of its top corner. Words such as 'and company' or any other abbreviation (such as & co.) may be written between these two parallel lines, either with or without words 'not negotiable', is called General Crossing.

Effect - Payment can be paid through bank account only, and should not be made at counter of paying bank.

(2) SPECIAL CROSSING - When a cheque bears the name of the bank in between the two parallel lines, with or without the words 'not negotiable' is called Special Crossing.

Effect - The bank will pay to the banker whose name is written in between the crossing lines.

(3) RESTRICTIVE CROSSING / ACCOUNT PAYEE CROSSING - In this, crossing of cheques is done by writing Account Payee or Account Payee only in between the crossing lines.

Effect - Payment will be credited to the account of payee named in the cheque.

(4) DOUBLE CROSSING - When a cheque bears two special crossing, is called Double Crossing. In this second bank act as agent of the first collecting banker. It is made when the banker in whose favour the cheque is crossed does not have branch where the cheque is paid.

Asian Infrastructure Investment Bank (AIIB) - Facts

China recently hosted the signing in ceremony of the Asian Infrastructure Investment Bank to bride the gap between infrastructure finance and development. The signing in ceremony took place in Beijing with 50 countries becomes its founding members.

This multilateral finance institution is different from other world financial institutions as AIIB will only fund the financial assistance for infrastructure development in Asian countries .This step by china is also seen as to challenge the **hegemony of IMF ,World Bank and Asian Development Bank which are dominated by America ,Europeans and japan.**

As of now 50 countries has signed the Article of Agreement as founding members of Asian Infrastructure Investment Bank

including Australia, Austria, Azerbaijan, Bangladesh, Brazil, Brunei Darussalam, Cambodia, China, Egypt, Finland, France, Georgia, Germany, Iceland**, India**, Indonesia, Iran, Israel, Italy, Jordan, Kazakhstan, Republic of Korea, Kyrgyz Republic, Lao PDR, Luxembourg, Maldives, Malta, Mongolia, Myanmar, Nepal, Netherlands, New Zealand, Norway, Oman, Pakistan, Portugal, Qatar, Russia, Saudi Arabia, Singapore, Spain, Sri Lanka, Sweden, Switzerland, Tajikistan, Turkey, the United Arab Emirates, the United Kingdom, Uzbekistan, and Vietnam .

America ,Japan opted to stay out ,not to join AIIB.

The AIIB, main focus on :

Development of infrastructure and other productive sectors in Asia, including energy and power, transportation and telecommunications, rural infrastructure and agriculture development, water supply and sanitation, environmental protection and urban development etc.

The AIIB head quartered will be located at Beijing, Mr. Jin Liqun appointed as president designate of the AIIB and have initial authorized capital stock of $100 billion. The voting rights will be based on country's economy not on contribution. China will be 26.06 percent of voting rights followed by India which will have 7.5percent and Russia with 5.92 percent.

With the establishment of AIIB gives a big boost in infrastructure development of Asian countries as they can now avail loans from their Asian counterpart as against to World Bank or IMF which provide loans with stringent conditions.

Narasimham Committee on Financial System

The Narasimham Committee's recommendations aimed at ensuring

- A degree of operational flexibility of the banks.
- Internal autonomy for Public Sector Banks in their decision making process.
- Considerable professionalism in banking operations.

The major recommendations of the (CFS) or Narasimham Committee I were the following:

- The Banking supervision should be strengthened and its character must be drastically changed i.e., prudential regulations.
- The government accepted these recommendations and through the RBI issued guidelines for income recognition, asset classification and provisioning and adopted the Basel Capital adequacy standard.
- Establishment of a four tier hierarchy for the banking structure with 3 or 4 large Banks including State Bank of India. At the top and Rural Banks at the bottom mainly engaged in financial agriculture and related activities.

- Phased achievement of 8% capital adequacy ratio as recommended by Basel Committee.
- Abolition of branch licensing policy.
- Competition among financial institutions which will adopt a syndicating or participating approach rather a consortium approach.
- Prudential guidelines should govern the functioning of financial institutions.

NARASIMHAM COMMITTEE ON BANKING SECTOR REFORMS

The Government constituted another committee on the banking sector reforms under the chairmanship of M. Narasimhan in 1997.

The following are the major recommendation of Narasimhan Committee II on the banking sector reforms.

1. Creation of stronger banking system by merging public sector Banks and the financial institutions.
2. Stronger Banks and development financial institutions should be merged while weaker and unviable one should be moved up.
3. 10% increase of capital-to-risk weighted adequacy ratio.
4. Do away with budgetary, recapitalization of public sector banks.
5. Strengthening the legal framework for loan recovery.
6. All banks to cut down their net Non Performing Assets (NPAs) to below 5% by 2000 and to 3% by 2002.
7. Continuation of licensing to both Domestic and foreign Private Banks.

FREQUENTLY ASKED QUESTIONS:

Define Financial Inclusion.

Financial inclusion means providing to the large inbanked population of India access to financial products and services like deposit accounts and credit facilities, financial advisory services. Steps taken so far promotion for financial inclusion have been the co-operative movement, nationalization of bank, lead bank scheme, regional rural banks, and self help groups and last but not the least no frill accounts.

What is Balanced Growth of an economy?

Growth of an economy in which all aspects of it especially factors of production, grow at the same rate.

What is Gross Domestic Product (GDP)?

Gross Domestic Product (GDP) is the total value of all final goods and services currently produced within the domestic territory of a country in a year.

Difference between economic Growth and Economical Development.

Economic growth is the process whereby the real per capita income continues to grow in the long run whereas the economic development is the process whereby the real per capita income increases in the long run along with reduction in poverty, unemployment and inequality.

Discuss Sustainable Development

Sustainable development is a development that does not deplete resources irreversibly. It is a process of development that meets the needs of the present without comprising the ability of future generations to meet their own needs.

World Bank - Facts, Objectives and Functions

World Bank is an international financial institution that provides loans to developing countries for development programs.

- World Bank was formed on **July 1944** at the **Bretton Woods Conference.**
- Headquarter of World Bank is located at **Washington D.C. (U.S.A.)**
- The main purpose of the world bank is **''Reduction of Poverty''.**
- Current member nations of world bank are **188.**
- Now the president of the World Bank is **Jim Yong Kim.**
- World Bank is comprises of two institutions - International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA).
- World Bank is member of the United Nations Development Group as well as World Bank Group.
- World Bank Group includes - International Bank for Reconstruction and Development (IBRD), International Development Association, International Finance Corporation, Multilateral Investment Guarantee Agency, International Center for Settlement of Investment Disputes.
- The president of the world bank comes from the largest shareholder. Members are represented by a Board of Governors.
- If a country wants to be a member of world bank, it has to purchase the shares of world bank group institutions as per agreement, rules and regulations set.
- The five largest shareholders are U.S. , U.K. , France, Germany and Japan.
- The largest shareholders nations has their own Executive Directors.

Objectives and Functions of World Bank

- To help in reconstruction and development of member countries.
- Spread peace all over the world regarding financial terms.

- Helps to the economies of those countries destroyed by wars.
- Helps to developing and less developed countries by crediting the finance.
- To promote private foreign investments.
- To promote long term balanced growth of international trade.
- Maintenance of equilibrium in balance of payments of member countries and also to increase the standard of living as well as labor conditions of developing and less developed countries.
- Investment of money in productive purposes only.
- World Bank provides various technical services to member countries. **"The Economic Development Institute"** and a **"Staff College"** has established by world bank in Washington.
- World Bank can grant loans to a member country up to **20%** of that country;s share in the paid up capital.
- The interest rate, quantities of loans and all any other terms and conditions are determined by world bank itself.
- The borrower nation has to repay either in reserve currencies or in the currency in which the loan was sanctioned.

Membership

- Any country can become the member of world bank if **75%** of the existing member countries approved the application.
- Any member nation can also resign from its membership voluntarily or if any country violates the rules of the world bank.

Management

- Management of world bank includes - Board of Governors, Board of Executive Directors, Loan Committee, Advisory Committee, President and other members of the staff.
- **Board of Governors** of the world bank includes one Governor (Finance Minister) and one alternate governor (governor of central bank) appointed by each member country for a term of **5 years**. Each governor has voting power in relation to its financial contribution to the capital of the bank. Board is required to meet at least once in a year.
- **Executive Directors** are **21** and out of this **6** are appointed by the six largest shareholders like USA, UK, Germany, France and Japan. The remaining 15 members are elected by the rest of member countries. It meets once a month to carry on daily routine work.
- **President** is appointed by board of executive directors.
- World Bank perform its functions with the help of **two committees** - Advisory Committee and the Loan Committee. Advisory Committee

includes **7 experts** appointed by the Board of Governors. Loan Committee is constituted by the executive directors and loan is provided as per the economies of member countries.

Lending Procedures

- Loans out of its own funds
- Loans out of borrowed capital
- Loans through Bank's Guarantee

Banking Ombudsman : Meaning, Functions and Working

You all are familiar from the term **BANKING OMBUDSMAN.** Lets know more about it thoroughly.

- The Banking Ombudsman Scheme was introduced under **Section 35 A of the Banking Regulation Act, 1949** by **RBI** with effect from **1995.**
- The Banking Ombudsman Scheme was **first introduced in India in 1995**and it was **revised in 2002.**
- Current Banking Ombudsman Scheme introduced in **2006.**
- **From 2002 until 2006, around 36,000 complaints** have been dealt by the Banking Ombudsmen.
- Banking Ombudsman is appointed by **Reserve Bank of India.**
- Banking Ombudsman is a senior official appointed by RBI. He handle and redress customer complaints against deficiency in certain banking services.
- The **offices** of Banking Ombudsman is mostly situated at **State Capitals.**
- **Around 15** Banking Ombudsmen have been appointed.
- **All Scheduled Commercial Banks, Regional Rural Banks and Scheduled Primary Co - operative Banks** are covered under the Banking Ombudsman Scheme.

Grounds of Complaints

One can file a complaint on the following grounds of complaints:

1. Any excessive delay or non - payment of collection of cheques, drafts, bills etc.
2. Without any sufficient cause non acceptance of small denomination notes.
3. Charging any commission for acceptance of small denominations notes
4. Any delay in payment of inward remittances or non payment of inward remittances.

5. If any banking organization refuses to accept taxes or any delaying in accepting taxes (as required by RBI or Government of India).
6. Any delay in issuing government securities
7. Refusal to issue or redemption of government securities.
8. Without any sufficient reason, forced close the deposit accounts by bankers.
9. If any banker refuse to close the accounts
10. If any banker deliberately delaying in closing the accounts.
11. Non compliance of the provisions of Banking Codes and Standard Board of India.
12. If any banker commits non - observance of Reserve Bank of India's guidelines or instructions or any violation of the directives issued by the Reserve Bank in relation to banking or other services.
13. Without any sufficient cause, non acceptance of coins tendered or charging of commission in respect thereof.
14. Delay or Failure in issue of drafts, pay orders or banker's cheques.
15. Performance of work is not as per prescribed working hours.
16. Delay or failure in providing any bank facility.
17. Complaints file by Non - resident Indians having accounts in India in relation to their remittance from abroad, deposits and other bank related matters.
18. Without any reason, refusal to open deposit accounts.
19. Without adequate prior notice to the customer, charges levied by the banker.
20. Any violation of guidelines or instructions of RBI on ATM/Debit Card/Credit Card operations.
21. Non - disbursement or delay in disbursement of pension.

Other Grounds

A customer can also file a complaint on the following grounds of deficiency in service with respect to loans and advances:

1. The Banking Ombudsman may also deal with such other matter as may be specified by the Reserve Bank from time to time.
2. Without any valid reason non - acceptance of application of loans.
3. Any violation of the provisions of the fair practices code for lenders as adopted by the bank or Code of Bank's Commitment to Customers, as the case may be.
4. Any type of violation of the instruction, guidelines, recommendations of the RBI
5. If any non - observance of Reserve Bank Directives on interest rates;
6. Any delays in sanction of loan applications

Reasons, when you can File a Complaint

1. If reply is not received from the bank within a period of one month after concerned bank has received complaint representation.
2. If bank rejects the complaint.

3. If complainant is not satisfied with bank's reply.

- Banking Ombudsman does not charge any fee for filing and resolving customer's complaints.
- If any loss suffered by the complainant then complainant is limited to the **amount arising directly out of the act or omission of the bank or Rs. 10 Lakhs whichever is lower.**

Payment Banks vs Small Finance Banks

Small banks will lend to "unserved and under-served sections", including small business units, s mall and marginal farmers, and micro and small industries.

Payment Banks	Small Finance Banks
Objective	
Provide small savings accounts and payments /remittance services to migrant labour workforce and low-income households	Financial inclusion and supply of credit to small business units and farmers through high-technology and low-cost operations
Eligible Promoters	
Individuals or professionals with necessary experience and eligibility, existing NBFCs, corporate banking correspondents, mobile companies, supermarket chains, real estate co-ops and corporate entities	Resident individuals or professionals with 10 years of experience in banking and finance, companies and societies owned and controlled by residents, existing NBFCs, microfinance institutions and local area banks owned and controlled by residents
Scope of Activities	
Accept deposits but customer balance should not exceed Rs.1 Lakh	Basic services of accepting deposits and lending
Cannot give loans, can issue ATM/Debit card but no credit cards	No restriction on the area of operations

Can distribute non-risk simple financial products such as mutual funds and insurance products	At least 50% of its loan portfolio should constitute loans and advances of upto Rs.25 Lakh
NRIs will not be allowed to open accounts	
Capital Requirement and Promoter's contribution	
Minimum paid-up equity capital of Rs.100 Crore/initially 40%, to be gradually brought down to 26% within 12 years from date of commencement	

Update

On 19 August 2015, RBI approved "in-prinicple" licenses to 11 entities to start payment banks, these are 11 entities are :-

- Aditya Birla Nuvo
- Airtel M Commerce Services
- Cholamandalam Distribution Services
- Department of Posts
- FINO PayTech
- National Securities Depository
- Reliance Industries
- Dilip Shanghvi, founder of Sun Pharmaceuticals
- Vijay Shekhar Sharma, CEO of Paytm
- Tech Mahindra
- Vodafone M-Pesa

CBS – Core Banking Solution

Definition:-

Core Banking Solution (CBS) is networking of branches, which enables

Customers to operate their accounts, and avail banking services from any branch of the Bank on CBS network, regardless of where he maintains his account. The customer is no more the customer of a Branch. He becomes the Bank's Customer.

Another interesting fact regarding CBS is that all CBS branches are inter-connected with each other. Therefore, Customers of CBS branches can avail various banking facilities from any other CBS branch located anywhere in the world.

What it offers to a customer?

It offers invariably all information that a bank's customer would need if he/she visits a bank branch in person.

These are as herein follows:-

- To make enquiries about the balance or debit or credit entries in the account.
- To obtain cash payment out of his account by tendering a cheque.
- To deposit a cheque for credit into his account.
- To deposit cash into the account.
- To deposit cheques / cash into account of some other person who has account in a CBS branch.
- To get statement of account.
- To transfer funds from his account to some other account – his own or of third party, provided both accounts are in CBS branches.
- To obtain Demand Drafts or Banker's Cheques from any branch on CBS – amount shall be online debited to his account.
- Customers can continue to use ATMs and other Delivery Channels, which are also interfaced with CBS platform.

Top CBS Application Software Providers

1-Infosys Technologies Ltd. **Finnacle** is the universal banking solution from Infosys.

2-**I-flex solutions Ltd**. since late 2005 it is owned by Oracle

3-**TCS FNS (Financial Network Services Limited)** is an Australian developer and supplier of banking application software, operating in world markets. Now owned and managed by TCS.

Thus, CBS is a step towards enhancing customer convenience through anywhere and anytime banking.

Foreign Exchange Management Act, 1999 – Summary

Popularly known as FEMA – the Act is the Bible of all Forex transactions that happen in the country – it is the Holy Rule Book of foreign exchange transactions and of the administration part too.

It is important here to know a little **history of FEMA**:

FEMA actually has a predecessor – a stricter, meaner and a draconian predecessor, popularly called the FERA.

Foreign Exchange Regulation Act, 1974 or FERA – was introduced in the year 1974 with the prime objective of 'conserving/ preserving' the foreign exchange;

which means the forex transactions were severely controlled to avoid misuse – as it was considered a scarce resource.

Also – the mean part – if an offence was committed under FERA it was considered a 'criminal offence'! With time, economic liberalization, globalization, better forex transaction infrastructure and opening of the world market, need was felt to do away with FERA as its provision resulted in constricting the growth of forex and ultimately the economy at large.

Thus at the turn of the millennium and India's coming of age FEMA was introduced in 2000, on 1st June, with the Foreign Exchange Management Act, 1999.

FEMA stands for:

- Facilitating foreign exchange transaction – exports, imports, and payments thereof;
- Promoting development of forex;
- Maintenance of a healthy forex market in the country.

Salient Features of FEMA:

1. FEMA is applicable to Individuals (you and me!), HUFs, companies, firms and AOPs and BOIs.

2. FEMA is applicable to a person '**Resident**' in India – as opposed to FERA's citizenship criteria – which means if the status of any person, who is a citizen of India or not, is 'Resident' he or she shall be covered under the FEMA for any forex transaction as per the given provisions.

3. Under FEMA – a person, who has been residing in India for **more than 182 days**, will be considered a 'Resident'!

4. 'Currency' under FEMA includes **debit cards, ATM cards and credit cards**too!

5. FEMA treats offences committed under the Act as **civil offences**.

6. Only '**Authorized Persons**' can deal in foreign exchange – all our transactions will be routed through them.

   Authorized Persons are nothing but authorized dealers – authorized by the RBI; and they have to follow RBI guidelines very strictly to keep their licenses.

7. We are permitted by RBI to buy **forex from Post Offices** in the form of postal/ money orders! Easy availability in the time of emergency requirements!

8. Any monetary transaction with **Nepal or Bhutan** – in rupees – these two countires recognize and accept 'Rupees' – **will not fall under FEMA**!

9. 'Capital Account' transactions are those transactions which alter the assets and liabilities of a person – buying/ selling of foreign

securities, borrowing/ lending of loans, purchase/ sale of immovable properties etc – and all these being across national boundaries!

NO restrictions on forex transaction for repayment of loans – important to know!

10. 'Current Account' transactions are those other than capital and are mostly personal in nature like remittances for living expenses for studies/ medical treatment abroad, foreign travel, foreign business etc.

    Current Account transactions are categorized into three explicitly drawn out categories which spell out the transactions allowed and not allowed -
    (i) those which are prohibited by FEMA,
    (ii) those which require Central Government's permission,
    (iii) and those which require RBI's permission.

    (*I'm listing the absolutely important points to remember here*.)

- **Prohibited Current Account transactions (V.Imp!!!!) – you can't draw foreign exchange for:-**
    - Forex can't be drawn for making payment to any person in Nepal or Bhutan! Use Rupees!
    - Remitting lottery winnings outside India. Remitting any income from winning in any races/ horse races/ hobbies etc.
    - You can't remit any money outside India for the purchase of lottery tickets, or banned magazines, sweepstakes, betting etc.
    - You can't draw forex for making payments on any 'Call Back Services' on telephone calls – call back is when you call and then immediately get a call back being routed through the telephone services of a company where charges are lower.

Approval of Central Government needed for:

- Drawal of forex for taking cultural tours outside India.
- If state government or its undertakings advertise in foreign print media (for any purpose other than promotion of tourism, investments – exceeding USD 10,000) – then CG approval needed!
- Remittance of prize money, sponsorship of sporting activities abroad by persons other than sporting bodies – if the amount being remitted exceeds USD 1,00,000.
- Remittance for hiring of transponders by ISPs and TV channels.

Approval of RBI needed for:-

- For infrastructure projects – if the consultancy is taken from outside

India and the remittance for such exceeds USD 1,00,00,000 per project.

- For any other projects – if the consultancy is taken from outside India and the remittance for such exceeds USD 10,00,000.
- Approval of RBI needed to release forex in excess of USD 10,000 in one financial year.
- Approval of RBI needed for gift/ donation remittances in excess of USD 5,000 in one financial year, per remitter or donor (the receiver of the gift remittance)
- Exceeding USD 1,00,000 for persons going abroad for employment/ emigration.
- Exceeding USD 25,000 for business travel, attending conference etc.
- Medical treatment abroad – based on doctor's estimate of expenses – if doctor's estimate exceeds USD 1,00,000 – then no approval is required.
- The limit under **Liberalised Remittance Scheme**, has be increase to USD 2,50,000 per financial year for permissible current or capital account transaction or a combination of both, whereby all resident individuals, including minors, are allowed to freely remit to that extent – the increase came in 2015.

This 11th point has been asked in a couple of interviews irrespective of candidate's educational background - so keep this new limit in mind for upcoming exams and/ or interviews!!

That is all for today folks – hope you have a good start to the week and of the new financial year!

Tax Saving Investments under section 80c

Scheme	Minimum lock-in period	Rate of Return	Tax on return	Tax free investment under 80c
Public Provident fund	15 years Withdrawals allowed after	8.75% - Compounded annually	Interest and sum received on maturity is tax	Rs. 1,50,000

	6th years (Upto 50% of deposits at the end of 4th year) Can take loan after 3 years. Interest on loan is 2% more than return on PPF		free	
NSC VIII	5 years	8.5% Compounded half-yearly	Interest is taxable (No TDS is deducted)	Rs. 1,50,000
NSC IX	10 years	8.8% Compounded half-yearly	Interest is taxable (No TDS is deducted)	Rs.1,50,000
Contribution to EPF	Till retirement	8.5%	Interest is taxable	
ELSS	3 years		Interest is taxable	Min. – Rs.5,000 Max – Rs.100,000
Fixed Deposit	Minimum lock-in period – 5 years	Varies around 8.5%	Interest is taxable	Rs. 1,50,000
Post office time deposits	5 years In case of premature withdrawal – Interest paid will be 1% less than	Varies around 8.5%	Interest is taxable	Rs. 1,50,000

	scheme rate			
Senior citizen saving scheme	5 years	9.2%	Interest is taxable	Rs. 1,50,000
Infrastructure bonds	5 years	9%	Interest is taxable	Min – Rs.30,000 Max – Rs. 100,000
ULIP	5 years	NA	Return is taxable	Rs.100,000
Life insurance	2 years	NA	NA	Rs.70,000

Senior citizen saving scheme scheme is giving highest return but it's available to Indian citizens who have reached 60 years of age while individuals who crossed 55 years and took voluntary retirement can take benefit of this scheme.

Infrastructure bonds provide extra tax saving under section 80CCF. You can deposit upto Rs 20,000 under this scheme.

Out of them ULIPs are least recommended. ULIP policy is a combination of insurance and an investment in marketable securities. There is huge fees in first

year which can be upto 35% of policy value.

Out of above investment schemes I have invested in PPF and Bank Fixed deposits.

Interest and principle paid in a Home loan is also tax free under section 80c

What is best for you

It actually depends upon your liquidity needs and return expectations.

If your under 30 and liquidity is not a problem. Then PPF is the best scheme for you.

Fixed deposits is a nice option, my banker IDBI bank doesn't charge any pre-mature withdrawal penalty. If you make a pre-mature withdrawal then interest rate will be 4% instead of 8.75% as 01-02-2015.

Although I have shared whatever I know, please comment with your insights so that I can make this article better.

Various Types of Cheques

1) BEARER CHEQUE-

Bearer cheque are the cheques which withdrawn to the cheque's owner.These types of cheques normally used for cash transaction.

2) ORDER CHEQUE-

Order cheque are the cheques which is withdrawn for the payee(the cheque withdrawn for whose person).Before withdrawn to that payee,banks cross check the identity of the payee.

3) CROSSED CHEQUE-

On that type of cheques two parallel line made on the upper part of the cheques,then that cheques formed to crossed cheques.This type of cheques payment does not formed in cash while the payment of that type pf cheques transferred to the payee account and the normal person's account who recommend by the holder on the cheque.

4) ACCOUNT PAYEE CHEQUE

When two parallel lines along with a crossed made on the cheque and the word 'ACCOUNT PAYEE' written between these lines,then that types of cheques are called account payee cheque.The payment of the account payee cheque taken place on the person,firm or company on which name the cheque issue.

5) COMPANY CROSSED CHEQUES-

When two parallel lines along with a crossed made on the cheque and the word 'COMPANY' written between these lines,then that types of cheques are called company crossed cheques.Then type of withdrawn does not taken in cash while the person on which the cheque issue,transferred on its account.Normally crossed cheque and company crossed cheque are same.

6) STALE CHEQUE-

If any cheque issue by a holder does not get withdrawn from the bank till three months,then that type of cheques are called stale cheque.

7) POST DATED CHEQUE-

If any cheque issue by a holder to the payee for the upcoming withdrawn date,then that type of cheques are called post dated cheque.

8) ANTI DATED CHEQUE

If any cheque issue for the upcoming withdrawn date but it withdraw before the date printed on the cheque,then that type of cheques are called anti dated cheques.

Definitions of Micro, Small & Medium Enterprises

In accordance with the provision of **Micro, Small & Medium Enterprises Development (MSMED) Act, 2006** the Micro, Small and Medium Enterprises (MSME) are classified in two Classes:

1 Manufacturing Enterprises

The enterprises engaged in the manufacture or production of goods pertaining to any industry or employing plant and machinery in the process of value addition to the final product having a distinct name or character or use. The Manufacturing Enterprise are **defined in terms of investment in Plant & Machinery**

2. Service Enterprises

The enterprises engaged in providing or rendering of services and are **defined in terms of investment in equipment**.

Manufacturing Sector

Enterprises	Investment in plant & machinery
Micro Enterprises	Does not exceed twenty five lakh rupees
Small Enterprises	More than twenty five lakh rupees but does not
Medium Enterprises	More than five crore rupees but does not

Service Sector

Enterprises	Investment in equipments
Micro Enterprises	Does not exceed twenty Ten lakh rupees
Small Enterprises	More than twenty Ten lakh rupees but does not
Medium Enterprises	More than Two crore rupees but does not

Maharatna, Navratna and Miniratna PSUs in India

Public sector enterprises or public sector undertakings have been back bone of Indian economy since the time of independence. These public sector undertakings contribution in Indian economy indescribable. These industries are related to power sector ,steel manufacturing ,iron ore and petroleum. Government is also able to earn considerable revenue from these PSUs, to honor their contribution and vest some special power that help and provide greater autonomy to these public sector enterprises in decision making ,government confer to some to these industrial organization.

The PSUs in India have been divided in three categories on the basis of autonomy (and thus status) they enjoy. The three categories are...

- Maharatna
- Navratna
- Miniratna I & II categories

The policy aims to support them by providing greater autonomy to compete in the global market.

In India Vedic verses 'Ratna' is denominated as precious gems and precious stones. Symbolically, the terms Maharatnas , Navratnas and Miniratnas are supposed to stand for such contribution of gems and precious stones in the hierarchical order.

1) MAHARATNA SCHEME

Maharatna Scheme was introduced for Central Public Sector Enterprises (CPSEs), with effect from 19th May, 2010, in order to empower mega CPSEs to expand their operations and emerge as global giants. The objective of the scheme is to delegate enhanced powers to the Boards of identified large-sized Navratna CPSEs so as to facilitate expansion of their operations, both in domestic as well as global markets.

Eligibility Criteria for grant of Maharatna status

CPSEs fulfilling the following criteria are eligible to be considered for grant of Maharatna status:

1. Having Navratna status
2. Listed on the Indian stock exchange, with a minimum prescribed public shareholding under SEBI regulation
3. An average annual turnover of more than Rs.20,000 crore during the last three years.
4. An average annual net worth of more than Rs.10,000 crore during the last three years.
5. An average annual net profit of more than Rs.2500 crore during the last 3 years.
6. Significant global presence or international operations.

List of Maharatna Companies (as per available information as on 26 October, 2014)

There are seven public sector companies which were granted Maharatna status.

Maharatna CPSEs

1. Bharat Heavy Electricals Limited
2. Coal India Limited
3. GAIL (India) Limited
4. Indian Oil Corporation Limited
5. NTPC Limited
6. Oil & Natural Gas Corporation Limited
7. Steel Authority of India Limited

Maharatna status helps in enhanced powers:

As compared to other CPSEs, the Boards of Maharatna CPSEs have been delegated enhanced powers in the areas of:-

1.A Mahratna company can invest 15% of its networth in a single project for establishing a new venture or undertaking an acquisition activity with a cap of Rs 5,000 crore without any permission from GOI.

2.Make equity investment to establish financial joint ventures and wholly owned subsidiaries in India or abroad

Major Impact

The main objective of the Maharatna Scheme is to empower mega CPSEs to expand their operations and emerge as global giants.

2) NAVRATNA SCHEME

The Central Public Sector Enterprises (CPSEs) fulfilling the following criteria are eligible to be considered for grant of Navratna status:

A score of 60 (out of 100), based on six parameters which include

1. Net Profit to Net Worth

2. Manpower cost to cost of production or services

3. Gross margin as capital employed

4. Gross profit as Turnover

5. Earnings per Share

6. Inter-Sectoral comparison based on Net profit to net worth.

The number of PSUs with Navratna status in the country now stands at 16. National Buildings Construction Corporation Limited' (NBCC) and 'Engineers India Limited' (EIL) are the most recent addition to this coveted status granted by the Department of Public Enterprises.

There are seventeen CPSEs granted Navratna status list include:

1. Bharat Electronics Limited

2. Bharat Petroleum Corporation Limited
3. Engineers India Limited*
4. Hindustan Aeronautics Limited
5. Hindustan Petroleum Corporation Limited
6. Mahanagar Telephone Nigam Limited
7. National Aluminium Company Limited
8. National Buildings Construction Corporation Limited
9. NMDC Limited
10. Neyveli Lignite Corporation Limited
11. Oil India Limited*
12. Power Finance Corporation Limited
13. Power Grid Corporation of India Limited
14. Rashtriya Ispat Nigam Limited
15. Rural Electrification Corporation Limited
16. Shipping Corporation of India Limited
17. Container Corporation of India Limited

Enhancement of delegated powers of Navratna PSUs

1.The ceiling on investment to establish financial joint ventures and wholly owned subsidiaries in India or abroad shall be 15% of the networth of the PSU in one project limited to Rs. 1000 crore..

2.The Board of Directors of these PSUs shall have the powers for mergers and acquisitions, subject to the conditions.

3) MINIRATNA SCHEME

In October 1997, the Government had also decided to grant enhanced autonomy and delegation of financial powers to some other profit making companies subject to certain eligibility conditions and guidelines to make them efficient and competitive. These companies called Miniratna', are in two Category-I,II.

The eligibility conditions and criteria are:

1.**Category –I** CPSEs should have made profit in the last three years continuously, the pre-tax profit should have been Rs. 30 crore or more in at least one of the three years and should have a positive net worth.

2. **Category-II** CPSEs should have made profit for the last three years continuously and should have a positive net worth.

3. These CPSEs shall be eligible for the enhanced delegated powers provided they have not defaulted in the repayment of loans/interest payment on any loans due to the Government.

Presently, there are 68 'Miniratna' CPSEs (54 Category –I and 18 Category-II).

Miniratna Category - I CPSEs

1. Airports Authority of India
2. Antrix Corporation Limited
3. Balmer Lawrie & Co. Limited
4. Bharat Coking Coal Limited
5. Bharat Dynamics Limited

6. BEML Limited
7. Bharat Sanchar Nigam Limited
8. Bridge & Roof Company (India) Limited
9. Central Warehousing Corporation
10. Central Coalfields Limited
11. Chennai Petroleum Corporation Limited
12. Cochin Shipyard Limited
13. Dredging Corporation of India Limited
14. Kamarajar Port Limited
15. Garden Reach Shipbuilders & Engineers Limited
16. Goa Shipyard Limited
17. Hindustan Copper Limited
18. HLL Life care Limited
19. Hindustan Newsprint Limited
20. Hindustan Paper Corporation Limited
21. Housing & Urban Development Corporation Limited
22. India Tourism Development Corporation Limited
23. Indian Rare Earths Limited
24. Indian Railway Catering & Tourism Corporation Limited
25. IRCON International Limited
26. KIOCL Limited
27. Mazagaon Dock Limited
28. Mahanadi Coalfields Limited
29. Manganese Ore (India) Limited
30. Mangalore Refinery & Petrochemical Limited
31. Mishra Dhatu Nigam Limited
32. MMTC Limited
33. MSTC Limited
34. National Fertilizers Limited
35. National Seeds Corporation Limited
36. NHPC Limited
37. Northern Coalfields Limited
38. North Eastern Electric Power Corporation Limited
39. Numaligarh Refinery Limited
40. ONGC Videsh Limited
41. Pawan Hans Helicopters Limited
42. Projects & Development India Limited
43. Railtel Corporation of India Limited
44. Rail Vikas Nigam Limited
45. Rashtriya Chemicals & Fertilizers Limited
46. RITES Limited
47. SJVN Limited
48. Security Printing and Minting Corporation of India Limited
49. South Eastern Coalfields Limited
50. State Trading Corporation of India Limited
51. Telecommunications Consultants India Limited
52. THDC India Limited
53. Western Coalfields Limited
54. WAPCOS Limited

Miniratna Category-II CPSEs

55. Bharat Pumps & Compressors Limited
56. Broadcast Engineering Consultants (I) Limited
57. Central Mine Planning & Design Institute Limited
58. Central Railside Warehouse Company Limited
59. EdCIL (India) Limited
60. Engineering Projects (India) Limited
61. FCI Aravali Gypsum & Minerals India Limited

62. Ferro Scrap Nigam Limited
63. HMT (International) Limited
64. HSCC (India) Limited
65. India Trade Promotion Organization
66. Indian Medicines & Pharmaceuticals Corporation Limited
67. M E C O N Limited
68. Mineral Exploration Corporation Limited
69. National Film Development Corporation Limited
70. National Small Industries Corporation Limited
71. P E C Limited
72. Rajasthan Electronics & Instruments Limited

Options Basics - You Should Learn

What is an Option

An Option give right to Option Holder to buy or sell a commodity during a certain period of time or on a specific date.

For example - I own a Garment mill. I need 100 tonnes of cotton in the last quarter of every year. In June this year, price per bale of cotton is Rs 2000. Prices may rise or fall.
I don't want to take this risk, as this is not my business. So I will find a person whose business is to take risks. In exchange of contract money I will buy the right to buy 100 tonnes of cotton at Rs 2000. I may or may not use this option.

American-Style Options

Options that can be exercised at anytime

European style option

Options that can be exercised only at the time of maturity

Call option

An option which gives right to the Option Holder to ***buy*** a certain stock at specified time and specified date

Put option

An option which gives right to the Option Holder to ***sell*** a certain stock at specified time and specified date

Settlement price

Value of an option is calculated daily. That rice is known as settlement price

Plain Vanilla Call

Basic type of option with a fixed maturity and purchase price

Types of trade

1) Purchase a call

Optionholder gets right (no obligation) to purchase specified securities at a specified time.

2) Purchase a put

Optionholder gets right (no obligation) to sell specified securities at a specified time.

3) Sell a call

Seller of option has obligation to sell specified securities at a specified time.

4) Sell a put

Seller of option has obligation to purchase specified securities at a specified time.

All about Payment and Settlement Systems in India

A country needs money supply for economic activity to carry out trade and commerce to quench demand and supply of goods and services. For such exchanges to continue payments of money and settlements of dues and charges need to be carried out.
The better, more convenient and reliable the payment and settlement of a country or an economy is, the better is the economic efficiency of that country.

The payment and settlement system comprises of various arrangements that is used to systematically, efficiently and securely transfer money/currency, cheques, demand drafts, and money through various electronic channels. In most countries the Central Bank is generally the regulatory authority and is responsible for development of the National Payment System.

In India, Reserve Bank of India is the regulatory authority and is in charge of driving the development of our National Payment and Settlement System. The highest policy making body on payment System in our country is the Board for Regulation and Supervision of Payment and Settlement Systems (BPSS), a sub-committee of RBI and the regulation is done in accordance with the Payment and Settlement Systems Act, 2007 (PSS Act).

The Reserve Bank of India continually strives towards providing more secure, convenient and efficient payments systems in the country. RBI continuously works towards upgradation of the existing systems and pushes for innovation and development new ones, thus slowly and steadily revamping the payment and settlement facilities in India.

Types of Payment and Settlement Systems in India:

- Paper Based Payment Systems-- Cheques, Drafts, etc.
- Electronic Payment Systems-- Gross Settlement System and Net Settlement Systems.

- Gross Settlement System-- Real Time Gross Settlement (RTGS)
- Net Settlement Systems--
- National Electronic Fund Transfer (NEFT)
- National Electronic Clearing Service (NECS Credit)
- National Electronic Clearing Service (NECS Debit)
- Credit cards and Debit cards
- Indo-Nepal Remittance Facility Scheme
- Immediate Payment Service (IMPS)
- Other Payment System--
- Mobile Banking System
- Automatic Teller Machines (ATMs)
- Point of Sale (POS) Terminals
- Online Transactions
- Paper Based Systems

The usage Paper Based systems/instruments such as cheques, demand drafts, etc. account for almost 60% of the total non-cash transaction in India by volume. But when compared in terms of value, it only accounts for around 11%. The share of paper based transactions has steadily been decreasing with time, whereas the electronic and other modes keep gaining popularity due to their obvious advantages. The Indian government (like most other governments in developed and developing nations) is also promoting online and electronic means of payments in favour of paper based ones, as the process there is conducted in real time, easy to track and there is very little delay.

Cheques

A cheque is a negotiable instrument used for payment and settlements in India, and is governed by the provisions of Negotiable Instruments Act, 1881. It is an unconditional order, which is drawn on a specific bank, signed by the drawer (person who draws the cheque to pay someone), directing the banker to pay the specified amount on demand only to or to the order of a certain person or to the bearer of the cheque.

There are three parties involved to a cheque:

1. Drawer - the person who holds an account in a certain bank and draws a cheque to make a payment.

2. Drawee - the person upon whom the cheque has been drawn i.e. the drawee is the bank or simply the issuing authority, and is the party whom the drawer orders to pay the said amount, to the person named in the cheque, or to the bearer.

3. Payee - the party or the person who presents the cheque for receiving the payment and is liable to be paid by the bank. The cheque is drawn in his favour and his name is mentioned on the cheque. A payee can also be a bearer of the cheque (person other than one mentioned on the cheque) only if the cheque is issued as a bearer cheque.

Use of cheques:

- It is a very convenient instrument for paying and receiving money.
- Payment can be made only to a particular person or to a bearer by making it "Account payee" or "Bearer" cheques respectively.
- Cheque is a very liquid instrument and is considered near money and hence is highly endorsable for payments and settlements.
- It is a very secure mode of payment.
- Records of payments made by cheques are automatically maintained in the banker's books.

A cheque can be dishonoured (i.e. the payment is not done) for myriad reasons such as insufficient funds in the drawer's account, mismatch of signature, overwriting, cheque is more than 3 months old, etc.

Bank Draft

Bank Draft is also a negotiable instrument governed by the provisions of Negotiable Instruments Act, 1881. It is a facility offered by the bank to its customers for sending money to different destinations. This facility is offered to account holders only.

To send money to a specific destination a customer has to fill up a specific form provided by the bank. Name of the person/party to whom the amount is to be sent, the amount payable and the address of the destination must be declared in the form. The bank then issues a Draft to the customer after debiting the bank charges.

This bank draft is then sent by the payer to the person/party to whom it is payable. The receiver then deposits the draft in his bank and the bank will then credit the amount in his account. It is a time consuming process of transferring money and the charges are also high.

Bankers Cheque

Bankers Cheque or Demand Draft is a negotiable instrument governed by the provisions of Negotiable Instruments Act, 1881 that is used to effect transfer of money. It is called Banker's Cheque since it is a pay order which is payable on demand, issued by the bank itself (drawn by one office of a bank upon another office of the same bank) withdrawing the amount from the payer's account and it cannot bounce. A bank renders itself liable for damages, if it fails to honour a bankers cheque. The bank is also liable in case of omission of signatures or wrong signatures.

The bank issues the bankers cheque in the name of the individual or the party to whom the customer wants to make the payment. By prior arrangement, the paying bank could also be a different bank. A certain amount of commission is charged upon the customer by the bank for this service. It is generally used for local payments.

Electronic Payment Systems

RBI took an initiative in the early 90's and focused on technology-based solutions for the improvement of the payment and settlement system in India. It does its best to encourage alternative and modern system of payments, thus bring security and efficiency to the payments system and making the whole process easier for banks.

The successful growth of Indian banking sector calls for innovation and adoption of electronic payments to enhance the banking system. Introduction of e-payments in India has brought in an era of unprecedented growth in the banking sector.

RBI is playing a decisive role in mainstreaming e-payments in India by making it compulsory for the banks to route their high value transactions through Real Time Gross Settlement (RTGS) and also by introducing National Electronic Funds Transfer (NEFT) and National Electronic Clearing Services (NECS), thus encouraging individuals and businesses to switch to electronic methods of payment. E-payments in India have been growing at over 60% for the last few years.
Real Time Gross Settlement (RTGS)

RTGS is a fund transfer mechanism is which the transfer of money/funds takes place from one financial institution to another on a 'Real Time' and on 'Gross' basis. It is the fastest possible transfer mechanism for payments and settlements through the banking channel.

Real Time Settlements mean that payment transaction is not subjected to any time delay and is done instantly. Settlement of transaction occurs as soon as they are processed.

Gross Settlement means the transactions are settled on one to one basis. No transaction is bunched with any other transaction and settlements of funds transfer instructions happen individually.

The money/fund transfer takes place in the books of RBI, and so once processed the payment is final and irrevocable. The charges for RTGS vary from bank to bank. Upper limit for the fees which can be charged by all banks has been set by RBI.

Banks participating in the functions of both remitting and receiving must have CBS (core banking solutions) in place to enter into RTGS transactions. An Indian Financial System Code (IFSC) is assigned to all Core Banking enabled banks and branches. IFSC is an eleven digit alphanumeric code which is unique to each branch of bank. The identity of the bank is indicated by the first four letters. The remaining seven numerals indicate a single branch. This code is also provided on cheque books, since it is required for transactions along with the account number of the recipient.

RTGS is a large value fund transfer system -- minimum value of transaction should be ₹2,00,000. It is used by financial intermediaries to settle interbank transfers pertaining to their own accounts or their customers. RTGS transfer system has specific timings. Customers can use the RTGS facility between 9 AM to 4.30 PM on weekdays and from 9 AM to 2 PM on Saturday. The timings may vary depending on the bank branch. RBI had introduced Time Varying Charges in October 2011. Primary purpose of RTGS is to facilitate transactions that need immediate settlement.

National Electronic Fund Transfer (NEFT)

NEFT is one of the most prominent electronic funds transfer system in India started in November 2005. NEFT facility used to transfer funds from one financial institution to other in India enabling them to transfer funds easily and securely via electronic messages on a one-to-one basis.

Unlike RTGS which transfers funds on a Gross Settlement basis, NEFT does it on a Net Settlement or Net Transfer basis executed in hourly batches and hence results in a time lag.

RBI has explained NEFT scheme as "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."

NEFT system has no minimum or maximum fund transfer limit. Persons with no banks accounts can also use this facility. Such a person can deposit cash at an NEFT-enabled branch with instructions with instructions to transfer the funds using the NEFT mechanism. To facilitate walk-in customers in transferring of cash to the intended beneficiary, a separate Transaction Code (No. 50) has been allotted in the NEFT system.

National Electronic Clearing Service (NECS Credit)

To handle bulk and repetitive payment and settlement requirements such as salary, interest, commissions, dividend payments of corporates and other institutions, RBI introduced the ECS (Credit) scheme in the 1990s. Such payments are done on a timely-basis like a year, half a year, etc. In the ECS (Credit) scheme the customer accounts are credited on the specified value date. Presently this facility is available at all major cities in the country. It is also known as “Credit-push” facility or one-to-many facility.

RBI launched a new service in 2008 known as National Electronic Clearing Service (NECS). In the NECS (Credit) scheme the customer accounts are credited on the specified value date against a single debit from the account of the sponsor bank.

National Electronic Clearing Services (NECS Debit)

NECS Debit facility is also known as "Debit-pull" facility. This method is used mainly to facilitate payments of small value from entities/individuals to big organizations or companies. RBI introduced this scheme to provide a faster method to facilitate periodic (or routine) and repetitive collections of utility companies, by 'mandating' the banks to debit their accounts (debit the payment/bill/investment from the customer's bank account) and pass on the money to the companies.

NECS facilitates routine payments by individuals/entities such as telephone bills, electricity bills, card and online payments and payment of insurance premiums.

Credit cards and Debit cards

Transactions using Plastic Money in India is one of the fastest growing segments. The pace at which the general public is embracing Credit Cards and Debit Cards as a medium of payment is phenomenal, and is growing at a very fast pace. This payment mechanism facilitates customers by easing the process of making many payments through their card, such as shopping, paying their bills, and transferring funds.

Credit Card - it is a form of Plastic Money which allows the cardholder to pay for goods and services. The card issuing authority (usually a bank) creates a revolving account I the name of the cardholder and grants him a line of credit, from which the cardholder can borrow money for payments or cash advances. This requires the cardholder to repay the balance in full each month

Debit Card - it deducts money directly from a consumer's account to pay for a purchase. Unlike credit cards, they do not allow the user to go into debt (i.e. the customer can only withdraw money up to the limit of his holdings in his account), except perhaps for small negative balances that might be incurred if the account holder has signed up for overdraft coverage.

However, debit cards usually have daily withdrawal/purchase limits. It may not be possible to make very large purchases with a debit card.

Debit cards entered India in 1998. Ever since then their numbers have been growing. Nearly 3/4th of the total number of cards in circulation is debit cards. Although the credit card entered Indian market a decade before debit cards, they have registered a much slower rate of growth. Though in the last few years, the usage of credit cards has grown impressively.

A more recent innovation pertaining to the field of plastic money is co-branded credit cards. These cards provide a combination of many services into a single card. These cards are issued by banks when they enter into business partnerships with retail stores, telecom companies, airlines, etc. Such partnerships increase the utility of these cards, and they provide much more added facilities over simple debit or credit cards. Apart from using them at ATM's they can also be used at Point of Sale (POS) terminals and while making online payments.

Indo-Nepal Remittance Facility Scheme

To facilitate transfer of money among people of India and Nepal, the Indo-Nepal Remittance Facility, a cross-border remittance facility was set up to transfer funds from India to Nepal, enabled under the NEFT Scheme.

The facility was launched to provide a safe and cost-efficient mechanism to the large migrant workers of Nepalese origin in India, to remit money back to their families in Nepal. A remitter can transfer funds up to the limit of ₹50,000 from any of the NEFT-enabled bank branches in India. The funds would be received by the beneficiary in Nepalese Rupee.

Immediate Payment Service (IMPS)

National Payments Corporation of India (NPCI) took up the initiative to set up Immediate Payment Service (IMPS). In this mechanism money can be transferred immediately from one account to another account, within the same bank or accounts across other banks.

With the rapid increase in usage of mobile phones, transactions using this service are expected to grow at a rapid rate in the coming years. The users can transfer funds to their desired bank accounts through their mobiles having internet access.

Upon registration, both the individuals/entities (parties involved in transaction) are issued a Mobile Money Identifier (MMID) Code from their respective banks, which is a 7 digit numeric code. For initiating the transaction, the sender needs to enter the registered mobile number, MMID and bank account number of the receiver in his mobile banking application. Upon successful transaction, the money instantly gets credited in the receiver's bank account.

IMPS facility is available 24X7 and it can be used through mobile banking application. Internet banking profiles of their customers are also being used by some banks to provide this service. Most banks provide this facility free of cost and offer it to their customers so as to encourage paperless payment system.

With the greater acceptance of mobile banking services, IMPS has evolved. Now money through IMPS can also be transferred directly, using the receiver's bank account number and IFSC code. Neither the receiver nor the sender needs to be registered for mobile banking service of his bank. There is also no need for MMID codes.

IMPS transfer mechanism differs from NEFT and RTGS in the fact that there is no time limit to carry out transactions. This facility is available 24X7. IMPS facility is available on all bank (including RBI holidays) and public holidays.

Other Payment Systems

These include the Mobile Banking System, Automatic Teller Machines (ATMs), Point of Sale (POS) Terminals and Online Transactions.

Mobile Banking System

Mobile banking is defined as a service provided by a bank or other financial institution (according to operational guidelines on mobile banking published by RBI in 2008, only licensed banks are permitted to offer mobile banking services in India after obtaining necessary permission from RBI.) that allow its customers to conduct a range of financial transactions remotely using a mobile device (such as a mobile phone or tablet), and using software (usually an app), provided by the bank for this purpose.

Such services are gaining huge importance with the unprecedented rise in the usage of mobile device in India. Banks are investing heavily on this arena. These services are of great importance if the Government wants to realize its dream of a cash-less society and a Digital India.

Automatic Teller Machines (ATMs)

Automatic Teller Machines (ATMs) are electronic banking outlets that allow customers to complete basic transactions without visiting a bank branch. ATMs were first introduced in India in late 1980s. There are three different types of ATMs according to their label, which are as follows:

1. Bank's own ATMs: These ATMs are owned and operated by the owner bank and carry the Bank's logo. Such ATMs are the costliest way of providing ATM services.

2. Brown Label ATMs (BLAs): These ATMs are not owned by the sponsor banks. They are owned and operated by third parties (non-banking companies). They carry the logo of the bank outsourcing the service.

The concerned bank only handles a part of the process which back-end server connectivity and is handling of cash.

3. White Label ATMs (WLAs): These ATMs are owned and operated by a non-banking company and serve the customers of all banks. These ATMs are interconnected with the entire network of ATMs in the country and carry the logo of the company owning them. The role of the concerned banks is limited to providing only the account information and assisting in back end money transfers.

By RBI's order such companies have a mandate to deploy 67% of their ATMs in rural areas and 33% in urban locations. The first such company that secured permission from RBI to set up WLAs is Tata Communications Payment Solutions and its brand name is 'Indicash'.

Point of Sale (POS) Terminals

A Point of Sale Terminal (POS terminal) is an electronic device used to process card payments (credit/debit card) at retail outlets. A POS terminal can generally do the following:

1) It can read the basic account information available on a customer's credit or debit card by connecting to the banking and payment system networks.

2) It can check whether the funds in the customer's bank account are sufficient or not.

3) Its can transfers the funds from the customer's account to the seller's account.

4) It can record the transaction and prints a receipt.

Online Transactions

Online Transaction, which is also known as a PIN-debit transaction, is a method of payment which protected by password, used to authorize a transfer of funds over an Electronic Funds Transfer (EFT) mechanism.

When someone pays for goods/services with a debit/credit card, there is an option for processing the payment in two different ways: as an offline transaction via a credit card processing network, or an online transaction via an EFT system. The second option of using an EFT facility requires a PIN (Personal Identification Number) to complete the process. The fund transfer is completed via an EFT network depending on which EFT system the customer's bank is associated with.

Encouraging e-transactions to move towards a 'Cashless Society'

RBI is the apex financial and regulatory institution in the country in regulation of payment and settlement systems. It is mandatory for the RBI to ensure that the payments system in our country evolves continuously and is as technologically advanced as possible. To realise this goal, RBI has taken certain initiatives to strengthen the e-payments system in India and to encourage people to adopt it.

The Government and RBI want to revolutionize the payment system in India, by giving people the power to carry out everyday purchases directly from their bank accounts, without the need for carrying cash. RBI has introduced a new interface which allows the customers to do just that. Former RBI Governor Mr Raghuram Rajan launched the Unified Payments Interface (UPI) system, as its latest offering to boost digital money transactions.

UPI interface has been developed by NPCI (National Payments Corporation of India), which is the umbrella organisation for all retail payments in the country. The Unified Payment Interface seeks to make money transfers easy, quick and hassle free.

The Payment and Settlement Systems Act, 2007 was a major step in this direction. It enables the RBI to "regulate, supervise and lay down policies involving payment and settlement space in India." Apart from some basic instructions to banks as to the personal and confidential nature of customer payments, supervising the timely payment and settlement of all transactions, the RBI has actively encouraged all banks and consumers to embrace e-payments.

The Payment and Settlement Systems Act, 2007 (the umbrella act governing all payment and settlement systems in India) enables the RBI in regulation, supervision and in laying down policies involving payment and settlement mechanisms in India. Apart from providing basic guidelines to banks regarding the confidential and personal nature of customer payments, supervising timely payment and settlement of all transactions, RBI has actively been encouraging all banks and consumers to embrace e-payments.

To pursuit this goal and to move towards a 'Cashless Society', RBI has granted NBFCs (Non-Banking Financial Companies) the permission to issue co-branded credit cards in partnerships with commercial banks.

The Kisan Credit Card (KCC) Scheme was launched by NABARD (National Bank for Agriculture and Rural Development) in order to meet the credit/loan needs of Indian farmers. Its aim is to free the farmers of paper money hassles and encouraging them to use only plastic money.

RuPay, a domestic card scheme has also been started by NPCI, promoted by RBI and IBA (Indian Banks Association). It is promoting the use of cards (plastic money). Initially RuPay is focusing mainly on potential customers from rural and semi-urban areas of India to bring them into the folds of e-payments and transactions. India can benefit hugely from RuPay, as in due course of time it will have a much wider reach than Visa, MasterCard or American Express cards due to its indigenous nature.

Each employee working under the MNREGA (Mahatma Gandhi National Rural Employment Guarantee Scheme) is slated to have a Smart Card. This smart card will be functioning as a personal identification card, credit card, and driver's license. These smart cards will also be functioning as an electronic pass book, thus familiarising the rural populations and our poor with e-payments.

The way in which Indians carry out money transactions is changing and the pace of change will only be accelerating in the future. Rapid digitization of money is also changing the mind-set of Indians, towards risk and investment which can change the face of finance in India. Sustained evolution of Payment and Settlement Systems would be playing a major role in achieving this goal. Even if we cannot achieve a 'Cashless India' in the near future, we must strive towards a 'Less Cash India'.

Latest List of Indian banks - Their Heads and Head Office

Name of the Banks	Head	Year of Establishment	Head Office
Allahabad Bank	Rakesh Sethi	24 April, 1865	Kolkata, West Bengal
Andhra Bank	Suresh N. Patel	20 November, 1923	Hyderabad, Andhra Pradesh
Bank of Baroda	P.S. Jayakumar	20 July, 1908	Vadodara, Gujarat
Bank of India	Arun Tiwari	7 September, 1906	Mumbai, Maharashtra
Bank of Maharashtra	Sushil Muhnot	16 September, 1935	Pune, Maharashtra
Bank of Rajasthan	Merged with ICICI	1943	Udaipur, Rajasthan
Canara Bank	Rakesh Sharma	1906	Bengaluru, Karnataka
Central Bank of India	Rajeev Rishi	21 December, 1911	Mumbai, Maharashtra
Corporation Bank	Jai Kumar Garg	12 March, 1906	Mangalore, Karnataka
Dena Bank	Ashwani Kumar	26 May, 1938	Mumbai, Maharashtra
Federal Bank	Shyam Srinivasan	1945	Kerala

HDFC Bank	Aditya Puri	August, 1994	Mumbai, Maharashtra
ICICI Bank	Chanda Kochhar	Jun, 1994	Mumbai, Maharashtra
IDBI Bank	MS Raghavan,	July, 1964	Mumbai, Maharashtra
Indian Bank	Mahesh Kumar Jain	15 August, 1907	Chennai, Tami l Nadu
Indian Overseas Bank	R. Koteeswaran	10 February, 1937	Chennai, Tami l Nadu
J & K Bank	Mushtaq Ahmad	1 October, 1938	Sri Nagar, J & K
Karur Vysya Bank	K Venkataraman	1916	Karur, Tamil Nadu
Lakshmi Vilas Bank	Parthasarathi Mukherjee	3 November, 1926	Karur, Tamil Nadu
Oriental Bank of Commerce	Animesh Chauhan	19 February, 1943	Gurgaon, Haryana
Punjab and Sind Bank	Jatinder Bir Singh	24 June, 1908	New Delhi, India
Punjab National Bank	Usha Ananthasubramanian	19 May, 1894	New Delhi, India
State Bank of India	Arundhati Bhattacharya	1 July, 1955	Mumbai, Maharashtra
State Bank of Hyderabad	Shri Santanu Mukherjee	8 August, 1941	Hyderabad, Andhra Pradesh
State Bank of Mysore	Sharad Sharma	2 October, 1913	Bengaluru, Karnataka

State Bank of Patiala	S. A. Ramesh Rangan,	1917	Patiala, Punjab
State Bank of Travancore	Vacant	12 September, 1945	Trivandrum, Kerala
South Indian Bank	V.A Joseph	1929	Thrissur, Kerala
Syndicate Bank	S K Jain,	1925	Manipal, Karnataka
UCO Bank	Arun Kaul,	6 January, 1943	Kolkata, West Bengal
Union Bank of India	Arun Tiwari	11 November, 1919	Mumbai, Maharashtra
United Bank of India	Archana Bhargava	1950	Kolkata, West Bengal
Vijaya Bank	Kishore Kumar Sansi	1931	Bengaluru, Karnataka
Yes Bank	Rana Kapoor	2004	Mumbai, Maharashtra

Banking Terminology

Term	Explanation
ATM	ATMs are Automatic Teller Machine. ATMs allows customers to complete some basic transactions, without the help of teller. These include accepting deposit, providing withdrawals and transferring funds. First ATM in India is Introduced by HSBC in1987.
Asset	An economic resource owned or controlled by a company and expected to generate future

	benefit for that company. Like land, building, machinery etc.
Accrued Interest	Interest that already earned , but not yet paid is known as Accrued Interest.
Amalgamation	Amalgamation means merger. When two companies merged by their mutual agreement for making a large organization is known as amalgamation.
Appreciation	Increase in the value of something (stocks, goods etc.) is term as Appreciation. It is due to Increase in the demand , scarcity of the goods or increase in earnings. Appreciation is opposite condition as to depreciation.
Arbitration	When there is dispute between two parties , Arbitrator come to resolve the dispute. Parties have to accept the decision taken by the arbitrator. It is for the settlement of the labor dispute between employer and employees by the third party i.e. arbitrator.
Asset Turnover Ratio	Asset turnover ratio is the ratio of a company's sales to its assets. It is an efficiency ratio which tells how successfully the company is using its assets to generate revenue. **Asset Turnover = Sales or Revenues / Total Assets**

Acid Test Ratio	Acid test ratio is also known as Quick ratio. It is a Liquidity ratio . Acid test ratio measures the ability of a organization to pay its current liabilities. In Quick asset we take cash, cash equivalents, short term investment or marketable securities or current account receivables as a Quick assets. Formula of acid test ratio = Quick Assets/Current Liabilities
American Depository Receipt (ADR)	American Depository Receipt is a certificate Which is issued by US Bank to a Non – US Company For their (Non US Company) shares. ADRs can be traded in the US Stock market. It is a negotiable instrument and holder of ADRs get the benefit like a stock holder
Asset Management Company (AMC)	These companies are specialize to the recovery of the assets on the behalf of banks or other financial institutions. The non-performing assets can be assigned to AMC for the recovery purpose by the banks.
Annuity	Annuity is a type of payment at fixed intervals for a certain period or lifetime to a person who deposits some money in installments or lump sum. The amount which is paid back is includes principal and interest.
Bouncing of a Cheque	When there is not sufficient balance in the account of the customer who issued the cheque

	is return by the bank to the customer address. This is termed as Bouncing of cheque.
Beneficiary	A beneficiary can be a person or entity who is entitled to take the benefits on the behalf of some other person or entity.
Bonds	A instrument in which a person lends money to a corporate for a definite period of time at a fixed interest rate. Bonds are used by corporates or government to raise money.
Bank Ombudsman	Bank ombudsman is the authority to solve the complaint of the customers against any banks. This scheme covers all scheduled banks, co-operative and the RRBs. If customer is not satisfied with the decision of the bank ombudsman then they can forward their complain to the Deputy Governor of RBI.
Bankruptcy	If an organization is unable to pay debt then this condition is known as bankruptcy. This means organization has become insolvent and there for can't pay their obligations.
Bancassurance	Selling of the Different types of the insurance products (Life policies, non-life policies, car insurance, medical policies etc.) as corporate agents by the banks through their branches is known as bancaassurance.

Bear Market	A situation when price of securities in the stock market are generally declining is known as bear market.
Bank Rate	It is a rate at which RBI lends money to commercial banks without any security. It is used for Long Term Borrowing. Bank rate is not the main tool to control money supply. Repo Rate is the main tool to Control Money Supply. Penal rates are linked with Bank rate.
Balance of Payment (BOP)	Balance of payments is statement of economic transactions of a country with rest of the world. The balance of payment classifies these transaction in two accounts – the current account and capital account.
Balance of Trade	The difference between the value of exports and imports of a country is known as Balance of payment. If difference between exports and imports are positive then it is favorable balance of trade and vice versa.
Balance Sheet	Balance Sheet is a statement a company showing the assets and liabilities of the business on a particular date. Balance Sheet is helpful to determining the financial position of the business.
Black Money	The money which is concealed from tax authorities and illegally obtained is known as

	black money. It is uncounted money.
Bull Market	Bull market is a situation of market where speculators buy shares by hoping of the rise of price in near future and then resale those share to earn profit.
Capital Reserves	This is also known as undistributed reserve. It is a part of the company profit which is not paid out as dividends to the shareholders.
Capital	Capital is money or wealth needed to produce goods and used to generate income by investing them in some other source. Business capital comes mainly from two sources – Debt and equity.
Capital Gain	An increase in the value of the capital asset which gives high price as than before is termed as capital gain.
Cheque	Cheque is a bill of exchange. Cheque is a order to bank to pay stated amount in the cheque from the drawer account. Cheque is always payable on demand.
Cheque Truncation	Cheque truncation is system to stopping the physical moment of the cheque. In this system scan copy (electronic image) of cheque is used for the clearing purpose of cheque.

Core Banking Solutions (CBS)	Centralized Online real Time Exchange (CORE) is system where banks and their branches are interconnected for fast communication.
Cash Flow	Movement of cash (cash equivalents) or incoming or outgoing of cash from different operations in an organization is called as cash flow. **cash flow** is the difference in amount of **cash** available at the beginning of a period (opening balance) and the amount at the end of that period (closing balance).
Current Account	Current account is only open for the business purpose. There is no limit of numbers of withdrawals from this type of account. No interest is given in this account.
Creditworthiness	It is ability of the borrower to repay the loan amount with interest as per agreed terms and conditions to the lender.
Cash Reserve Ratio (CRR)	CRR is a monetary policy instrument used by RBI to control the supply of money. Banks have to keep some percentage of NDTL (Net Demand and Time Liability) with RBI this is known as CRR. The RBI have Authority to change the CRR Rate.
Certificate of deposits	Certificate of deposits is a money market negotiable instrument. It is generally issued for 7 days to 1 year. Minimum deposit amount in certificate deposits is rupees 1 Lakh.

Debit Card	Debit card is a plastic card issued by banks to customers to withdraw money electronically from their account without visiting the branch. Many bank issued Debit-Cum-Atm card.
Debentures	Debentures is a long term debt instrument issued by corporate to borrow money. A debentures holder gets fixed amount of interest.
Dividend	Dividend is portion of profit which is distributed by the company to its shareholders.
Debtor	A person or party buy goods on credit is termed as debtor. Debtor is current assets of the business.
Demat Account	Converting shares into electronic form and an electronic place where they are keep is known as demat account. Investor can buy or sell their shares by the help of demat account.
Dishonour of Cheque	When a cheque is not paid by the paying banker due to some reason stated memo on the cheque is termed as dishonor of cheque.
Depreciation	Gradually decreasing in the value of the fixed asset due to its wear and tear is known as depreciation.
Direct Tax	The impact and incidence of direct tax fall on the same person. Shifting of direct tax is not possible

	Income Tax is a example of direct tax.
Endorsement	When backside of a negotiable instrument contains signed by the holder or an order to transfer the title to some other person, this is called as endorsement
Electronic Fund Transfer (EFT)	Transfer Funds in electronic form is termed as EFT (Electronic Fund Transfer). EFT gives facility to banks to exchange information between them. Even one branch of bank can transfer information to branch of another bank by using EFT.
E- Banking	Electronic Banking is facility of banking through electronic signals. ATMs, Credit Card, Debit cards transaction are the type of E Banking. Fund transfer Facilities like SWIFT, RTGS, NEFT belong to this category. Internet-banking is also example of E-Banking.
Escheat	Acquiring of the properties of person after his death by the government , in case there is no legal heir or nominee of that person then this type of property is termed as Escheat.
Exchange Rate	The expression of a unit of foreign currency in relation to domestic country is known as exchange rate. Exchange rate can float move up or down.

Face Value	Face value also known as Nominal value is the original value of a share written or print on the share certificate.
Fiscal Policy	Fiscal policy refers to the changing tax rates and levels of government spending to influence aggregate demand in the economy by government
Forgery	When any type of alteration is made on a document or in negotiable instrument with intention to fraud is known as forgery.
Fund Flow	Fund Flow is statement of change in a company net working capital during a fixed period of time.
GST	Good and Services tax is indirect tax levy on manufacture, sale and consumption of goods and services at a national level**.** The GST regime is expected to be functional from 1st April, 2016**.** But the bill is now stuck in the Rajya Sabha, because the current government does not hold a majority.
Gold Monetisation Scheme	The gold monetisation scheme was launched on November 5, 2015 by Prime Minister Narendra Modi, to reduce bullion imports and mobilise 22,000 tonnes of idle gold in the country. The amount of interest rate to be given is proposed to be left to the banks to decide. Both principal and interest to be paid to the depositors of gold,

	will be 'valued' in gold. For example if a customer deposits 100 gms of gold and gets 2 per cent interest, then, on maturity he has a credit of 102 gms.
GDR	Global Depository receipt (GDR) is a certificate issued by one country bank against a certain number of shares held in its custody but traded on the stock market of another country.
Guarantee	If debtor or borrowers take a loan or debt and the third person or entity take the responsibility on the behalf of borrowers if he fails to repay debt amount then they will settle loan amount, this condition is known as guarantee. It is a contract between guarantor and beneficiary.
Gross Domestic Product (GDP)	Gross Domestic Product is the monetary value of the Goods and services produced within geographical Boundaries of the country during given period of time.
Government Bonds	Bonds are a kind of debt instrument. It is a promise to repay borrowed money after a period of time with certain rate of interest. The money raised through the bonds may be used for various activities like making new roads, hospitals etc.
Gross National Product (GNP)	Value of the total goods and services produced by the citizens of a country during a given period

	of time is known as Gross National Product .
Hedging	Hedging is a method or a strategy of reducing the risk of loss caused by price fluctuation in future.
HDI	HDI is Human Development index. Three Dimensions are used in HDI – 1. healthy life 2. Knowledge 3. Standard of living.
Holder	Holder means any person who is entitled to receive or recover the amount due on the cheque, bill of exchange or promissory notes from the parties.
Holder in due Course	A person who receives a Document for value, before it was due and in good faith, without notice of any defect in it, he is called holder in due course.
House Hold Income	Combined Income of all members of a household is house hold income. It includes every form of income i.e. salaries, wages, pensions, income from other sources.
International Banking	Banking involves more than two countries. If an Indian Bank has branches in different countries like Bank of India, it is said International Banking.
Insolvent	Insolvent is a person or organization who is unable to pay his debts, as his liabilities are more than the assets .Courts declare such persons insolvent. Banks do not open accounts of

	insolvent persons as they cannot enter into contract as per law.
Indemnity	indemnity is a type of contract where the indemnifier undertakes to reimburse the beneficiary from any loss arising due to his actions or third party actions.
International Banking	When Banking involves more than two nations or countries. If an Indian Bank has branches in different countries like Bank of India, it is said to do International Banking.
Interest Rate	Interest rate is the price of borrowing money. As the "renting" of money creates credit, interest is the price of credit. The price of money is the cost of commodity or service bought with money.
IFSC	Indian Financial System Code (IFSC) which is an eleven alpha numeric character code. This code is used by electronic payment system applications such as RTGS, ,National Electronic Fund Transfer. The code is of 11 characters. The first part is the first 4 alphabet characters representing the Bank. Next character is 0(zero), this is reserved for future use and last six digit represents branch code.
Internet Banking	Online is a form of electronic banking which enables customers of banks to do banking transactions on the web. E-Banking , Virtual

	Banking is also similar to the internet Banking.
Joint Account	When two or more Person Jointly Open account with bank, this is known as Joint Account.
Karta	Manager of a Hindu Undivided Family (HUF) who handles the family business is known as Karta. He is usually the eldest male member of the Hindu Undivided Family.
Kiosk Banking	KIOSK Banking is a facility provided by banks where customers have no need to go to the branch to make different transactions. The branch itself comes to the customer's village/place where the customer can make the transactions.
KYC Norms	KYC means "Know Your Customer". It is a process by which banks obtain personal information of the customer. The objective of doing so is to enable the Bank to have positive identification of its customers. Mainly three proofs include in KYC. They are 1) Proof of identity 2) Proof of Address 3) Photograph.
Long term Debt	Long term debt is obligations of the organization which are due after 1 year. It could be in the form of Bank loan, bonds, debentures etc.
Lease Financing	Financing for the business of renting houses for a fixed period of time is known as Lease Financing

	.Leasing of a machinery for a specific period at specific price is an example of Lease Financing.
Letter of Credit	A letter from a bank guaranteeing that a buyer's payment to a seller will be received on time is known as letter of credit. If the buyer is unable to make payment on the purchase, the bank will be required to cover the full or remaining amount of the purchase to the party.
Micro Finance	Micro Finance aims to assist poverty and empowerment of weaker sections in India. In micro finance, very small amounts are given as credit to poor in rural, semi-urban and urban areas to enable them to raise their income levels and improve living standards.
Maturity	Maturity is the time when a bond, insurance policy or security is matures and customer is eligible to get the realizable value from that instrument.
Market value	The current value of an asset or any financial instrument in the market is called as market value.
Mobile Banking	M-Banking or mobile banking helps the customer to check his bank balance, order a demand draft, stop payment of a cheque, request for a cheque book and have information about latest interest rates.

Money Laundering	When a customer uses banking channels to cover up his unlawful financial activities, it is called money laundering.
Merchant Banking	When a bank provides to a customer various types of financial services like accepting bills arising out of trade, providing advice, information or assistance on starting new business, acquisitions, mergers and foreign exchange that is known as merchant Banking.
Monopoly	Monopoly is a condition where only one seller in the market who controls the entire market supply and no substitute of the product is available in the market. Indian railway is example of monopoly.
Monetary Policy	Monetary policy refers to changing the interest rate and influencing the money supply by Central Bank.
Mortgage	A mortgage is an agreement that allows a lender to seize property when a borrower fails to pay.
Mixed Economy	An economic system which have the characteristics of both Private and Government Enterprises. India is a mixed economy country.
Multinational Company (MNC)	MNCs are a large scale company which has its production base in several countries and the bulk of the production is produced in outside nations. This company produces more overseas

	production than they do in its parent country.
NPA Account	If bank dues are not paid in any loan account with in specified time period, then this type of account is treated as NPA Account and this Amount is being treated as Non-Performing Assets.
Non-Performing Assets (NPA)	a Non-Performing asset shall be a loan or an advance where: a) Interest or installment of principal remain overdue for a period of more than 90 days in respect of a term loan. b) The account remains out of order for a period of more than 90 days, in respect of an Overdraft / Cash Credit c) The bill remains overdue for a period of more than 90 days in the case of bills purchased d) Any amount to be received remains overdue for a period of more than 90 days in respect of other accounts.
NBFCs	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/debentures etc. NBFCs can not accept demand deposits.
NEFT	National Electronic Funds Transfer (NEFT) is a nation-wide electronic payment system. By NEFT one can transfer funds from a bank branch to any individual or corporate having a bank

	account with any bank branch with in India. 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 within India and also for remittances to Nepal.
Non- Resident	A person who is not considered a resident of a country for tax purposes is called as Non-Resident. A person who is not a resident of India is a non-resident.
Net Income	If the total income in a period of a organization is deducted from all expenses during the same period is known as Net income of the Organization.
Negotiation	Negotiation means an act of transferring of a money instrument from one person to another person in the course of business.
Oligopoly	An **oligopoly** is an economic market whereby a small number of companies generate and control the entire supply of a good or service.
OTP	One Time Password (OTP) is an additional security measure for authentication for all credit and debit card payment transactions made on IVR (interactive voice response) systems i.e. transactions on mobile.

Online Banking	Online Banking allows the customers of the banks to conduct banking transactions on the Website of the bank. Virtual Banking is also known as Online Banking.
Overdraft	It is a credit facility given by bank to a account holder. Overdraft facility provide excess withdraw to the account holder on a nominal charge.
Plastic Money	Debit Cards ,Credit Cards, ATM Cards (Visa, Master Cards etc.) are known as plastic money. These cards are like money enable us to get goods and services.
Pledge	A bailment of goods for security purpose for payment of a debt . for example- pledge of stock by a borrower to a banker for a credit limit. Pledge can be made in movable goods only.
Public Sector Bank	A bank in which Government acquired fully or partly share is called as Public Sector Banks.
Payee	Payee is the person whom money is paid is known as payee.
PPF	Public Provident Fund (PPF) scheme is a popular long term investment. PPF offers attractive interest rates. Investors can invest minimum Rs. 500 to maximum Rs. 1,50,000 in one financial year.

Payer	The person whose name is written on the document who has to pay to the holder is known as payer.
Personal Identification Number (PIN)	Personal Identification Number is a number which an ATM card holder has to used in before he is authorized to do any banking transaction. PIN is used for security purpose.
Prime Lending Rate (PLR)	The rate of interest at which bank lends to their special customers is known as Prime Lending Rate. Generally PLR is less than the normal rate of interest.
Promissory Note	A signed , written and unconditional promise by one party to another party that commits the maker to pay a specified amount on a fixed or a determinable date. Promissory notes are negotiable instruments
Repo Rate	Repo rate is the interest rate which is charged by RBI when RBI lends money to commercial bank for short period of time.
Return on capital	Return on capital is a profitability ratio. Return on capital indicates how effective a company is at turning capital into profits.
Returns	In economic a profit from investment is termed as returns.

Recurring Deposits (R.D.)	Recurring Deposit is a special type of deposit account which enables a customer to save by paying into the account an agreed fixed sum of money monthly over a stipulated period. The deposits in this type of account earn compound interest..
RTGS	The acronym 'RTGS' stands for Real Time Gross Settlement, which can be defined as the real-time settlement of funds transfers. The minimum amount to be remitted through RTGS is ` 2 lakh. There is no upper limit for RTGS transactions.
Safe custody	When Customer keep their articles (like jewellery, boxes, wills, debentures, shares etc.) with bank for keeping them safe is called safe custody. Bank Charges some amount for safe custody.
Saving Bank Account	Saving account is used for personal purpose. It is not for Business purpose. In Saving Account, Account Holder Get Nominal Interest. In India all bank have facility to open a saving account.
Self Help Group (SHG)	SHG is a committee 10-20 people usually in village area mainly for the purpose of deposits their savings into bank by their mutual agreement. Small loan are given to members of SHG for fulfilling their business needs if they want to start a small business.
SWIFT	SOCIETY FOR WORLD-WIDE INTER-BANK

	FINANCIAL TELECOMMUNICATION (SWIFT) is international computerized telecommunication network. India became a SWIFT member in 1991. Each bank is given a unique code by SWIFT.
Sarfaesi Act	The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (Sarfaesi Act) allows banks to auction properties when borrowers fail to repay their loans. It enables banks to reduce their non-performing assets.
Sovereign Gold Bond	Sovereign Gold Bond is a Government security issued by Reserve Bank of India On the behalf of Government of India. SCBs aresubstitutes for holding physical gold. Investors gets market value of gold at the time of maturity and periodical interest.
Security	These are the financing and investing instrument of the organization. Securities can be bought and sold in the stock market . shares, debentures, bonds , warrants are the types of securities.
Smart Cards	Smart card is a plastic card with embedded microprocessor . Smarts cards are used to perform various types of financial transactions.
Teller	Teller is bank employee, who provide several types of banking services to the customers of the bank.

Treasury Bills	TREASURY BILLS is a negotiable instrument. It is short term instrument of borrowing. RBI issue T-Bills on discount on the behalf of government and redeem at face value. Presently treasury bills of 91 days and 364 days are sold by RBI
Time Deposits (Fixed Deposits)	Time Deposit is a deposit in the bank which is not allowed to withdraw before a fixed period. If account holder wants to withdraw deposit before the fixed time then banks may charge some amount of penalty on it.
Underwriting	Underwriting is an agreement by the underwriter to buy shares or debentures on a fixed date. Underwriter gets commission for this agreement.
Universal banking	In Universal Banking Banks are allowed to do all types of activities related to banking like acceptance of deposits, giving loans, issue of debit and credit cards, selling of insurance products etc.
Virtual banking	Virtual banking is also called internet banking. In virtual Banking banking services are accessed via internet's world wide web. It is called virtual banking because an internet bank has no boundaries of brick and it exists only on the internet.
Wholesale banking	Wholesale banking is different from common banking. In wholesale banking main focus is on

	providing financial assistance to the industries and other sectors.
Working Capital	Working capital is that capital of the organization which is used to fulfill the day to day expenses of the business. Working Capital = Current assets – Current Liabilities.
Zero Balance Account	The account in which one don't have to maintain a minimum balance . It is also known as Basic Saving Bank Account (BSBA) and Zero balance Saving Account.