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Green Bond: Things You Must Know

Introduction

A green bond is a debt instrument issued by an entity like any other bond (with subtle differences) to raise funds from investors

About Green Bonds

- Initially, green bonds were issued by World Bank, multilateral organizations and few nations from 2007
- Green bonds are pioneered by development banks in few nations
- Green bonds is a niche product till 2012
- Green bonds are focused to Environment, Social and Governance (ESG) projects
- There is the double scope of environment benefit and development in green bonds
- Green bond concept is open to corporate from 2016 in India
- It is a new concept with regulations and guidelines still in the initial stages

Nodal Agency

- Securities and Exchange Board of India (SEBI) is the nodal agency
- SEBI released the green bond concept paper on December 2015
- SEBI frames the guidelines regarding issuance of green bonds

Difference between Regular bond and Green bond

- Green bond is issued to finance only green projects
- Green bond issuer explicitly states that the fund raised will be used for environmental benefit activities like renewable energy, solar projects etc.
- Green bonds are being used based on market practices
- Issuer can price Green bonds at a far better rate than the regular bonds due to the environmental benefit feature

Benefits of Green bonds

- Green bonds help to increase the reputation of the issuer
- Issuer will get positive publicity
- Green bonds develop a commitment among the corporate about sustainability and development of the environment
- Green bonds will give an international experience
- Positive public relations will be enhanced
- New set of investors will come in to the fray with the introduction of green bonds
- Issuer can get access to a diversified set of investors other than business oriented clients or investors
- Issuer will get a pricing advantage in case of green bonds
- The current scenario of global warming and climate change will attract global investors to invest in green bonds in large numbers
- The cost of funding for the green projects will be lowered with the expected increasing number of investors in the green bonds

Conclusion

- Green bonds is relatively a new concept to Indian market
- SEBI must frame guidelines for issuing green bonds to prevent the misuse of funds raised through green bonds
- SEBI must establish a monitoring mechanism to check the usage of the green bonds

- World nations are responding in a positive manner to the climate change scenario with the signing of the Conference of Parties (COP) in Rio by majority of the nations
- GOI has placed special emphasis on renewable energy projects especially on solar power generation making it conducive for green projects
- The reception of green bonds in India is on the positive side
- Overall, Green projects and green bonds offer huge opportunities in future for corporate for the overall development of the nation and the world as a whole

International Bank for Reconstruction and Development (IBRD) - A World Bank Initiative

Introduction:

The mission of the World Bank is defined by two goals

1. To end extreme poverty by reducing the percentage of people living on less than $1.90 per day to no more than 3% globally by 2030; and
2. To promote shared prosperity in a sustainable manner by fostering income growth for the bottom 40% of the population of every developing country

To adhere its mission World Bank established subsidiaries which function as its arm to concentrate on particular areas as a focus. One such institution is IBRD (International Bank for Reconstruction and Development)

What is IBRD?

- The International Bank for Reconstruction and Development was established in the year 1944 to help Europe rebuild after World War II. Today, IBRD provides loans and other assistance to middle income countries primarily.
- IBRD belongs to World Bank group. It works closely with the rest of the World Bank Group in order help developing countries reduce poverty, promote economic growth, and ultimately to build prosperity.
- The institution constitutes of/ owned by the governments of its 189 member countries, which are represented by a 25-member board (5 appointed and 20 elected Executive Directors).
- It provides financial resources, knowledge and technical services, and strategic advice to developing countries, including middle income and lower income countries which are credit-worthy.

The five largest of IBRD's shareholders are

- The United States of America(with 16.63% of the total voting power),
- Japan (7.19%),
- China (4.64%),
- Germany (4.21%), and
- France and the United Kingdom (with 3.94% each)

Functions of IBRD

- It supports long-term human and social development which private creditors do not finance.
- Provides support in times of crises which preserves borrowers' financial strength, when poor people are most adversely affected.
- IBRD promotes key policy and institutional reforms (such as safety or anti-corruption reforms)
- Facilitates in Creation of a favorable investment climate to catalyze the provision of private capital
- It also facilitates access to financial markets often at more favourable terms than member countries can achieve on their own

Services offered by IBRD

- The World Bank works with middle income countries simultaneously as clients, shareholders, and global actors. As this association evolves, IBRD provides innovative financial solutions, including financial products (loans, guarantees, and risk management products and services) and knowledge and also advisory services (on a reimbursable basis also) at both the national and subnational levels to members (countries).
- IBRD finances projects across all sectors and provides technical support and expertise at various stages of ongoing projects.
- IBRD's helps countries to build resilience to shocks by facilitating access to products that mitigate the negative impact of currency, interest rate, and commodity price volatility, natural disasters and extreme weather by innovative financial products and services.
- Unlike commercial lending, it's (IBRD's) financing not only supplies borrowing countries with needed funding/financing, but also serves as a vehicle for knowledge transfer and technical assistance globally.
- Advisory services in the areas of public debt and asset management help governments, and development organizations build institutional capacity to protect and expand financial resources of nations.
- It supports government efforts to strengthen not only public finance, but to also cater enhanced investment climate, other policy and institutional actions and address service delivery bottlenecks.

FAQs on Gold Reforms in the Demonetization Drive

Introduction

The recent demonetization drive saw large investments in Gold and accordingly reforms were made on holding gold by individuals. Some of the FAQ on gold reforms are as follows.

What are the restrictions made on maintaining gold?

- A married woman can keep 500 grams of gold
- A male can keep 100 grams of gold
- An unmarried female can keep 250 grams of gold
- All must pass litmus test or heirloom test conducted by Income Tax department

What is litmus or heirloom test?

- It is a measure to prove that the jewellery was handed over from the past generation

Why the gold reforms are announced now?

- As soon as the demonetization was announced, hoarders of black money invested in gold buying a whopping 70 metric tonnes of gold overnight
- Black money is hoarded in the form of gold to the tune of 20000 metric tonnes
- Gold forms the primary source of black money followed by real estate and liquid cash
- The main aim of the gold reforms announced now is to recover the black money
- The effectiveness of the reforms has to be seen after the results are produced

Why gold is so sensitive?

- Hoarders maintain gold in biscuit or other smuggled means
- In India, Gold is a customary aspect in marriages with parents doing stri dhanto their daughters
- Gold reforms become very sensitive as it directly impacts women on a mass scale
- Gold has been a part of the Indian society from the historical ages
- Gold is always a status symbol among Indians
- People continue to buy gold on festive occasions and during marriages boosting the demand of gold
- India ranks top among the gold importers in the world

How can Gold Bond Schemes help in the current situation?

- GOI introduced the gold bond schemes to bring in the 20000 metric tonnes of idle yellow metal present in the Indian households
- These are government securities and is the perfect substitute for keeping physical gold in bond format to be redeemed for cash on maturity
- RBI issues the gold bonds on the market value of gold
- Individual can invest from 2 grams to 500 grams annually in gold bonds
- Tax exemption is available

Why Gold reforms and schemes have been a failure till now?

- Earlier the gold schemes of both 1999 and 2005 were a total failure
- Pitfall is the low-interest rate given on gold bonds
- Women will be hesitant to give away their idle jewellery for cash in the gold bonds
- Black money is hoarded mainly as gold biscuits and other forms
- The gold reforms target on jewellery keeping the gold biscuits and other gold forms out of the bracket
- This is the main reason for the failure of the gold reforms
- The current reforms may see a push in the gold bond investments

Project Finance by Banks- Things You Need To Know

Introduction

Project Finance is one of the key focus areas for Banks. Project Finance Group institutionalizes capabilities to cater unique and multidimensional process of project finance transactions which are led by customized project structuring approaches.

Banks extend their project financing services for new projects and also expansion, diversification and modernization of projects(existing ones) in infrastructure and non -infrastructure sectors.

Major sectors in which project finance is done by Banks:

Manufacturing & Mining:

Funding requirements of large brown field and green field projects in manufacturing sector (like Steel, Aluminium, Cement, Auto, and Hotels are arranged by the project financing group). In mining sector, banks provide financial assistance to several big conglomerates for overseas mine acquisition and have funded requirements of local miners.

Oil & Gas:

Banks are lead arrangers of finance for refineries in the country and funding of gas pipeline projects remains a key area for banks in India.

Power:

Bank finances large hydro-power projects and has been the lead arranger towards funding of a number of thermal power plants being set-up by large infrastructure developers

Ports / Airports:

Banks provided assistance to a number of cargo, container & liquid port terminals. They(Banks) have been credited for greenfield international standard projects which were initiated and achieved success.

Roads:

Development of Infrastructure sector is a priority for Banks. Bank's funding for a number of road projects for modernizing National/state/ regional roads and check posts is done.

Telecommunications (mostly by PSBs)

Railways (by SBI and other banks)

Smart Cities and Urban Infrastructure

Manufacturing of Cement, steel, engineering, auto components, textiles, Pulp & papers, chemical and pharmaceuticals also for Tourism &Hospitality, Educational Institutions, Health industries.

PROJECT FINANCING GROUP OF BANKS PROVIDES A WIDE RANGE OF SERVICES AS :

- Rupee term loans
- Foreign currency term loans.
- Export Credit Agency backed long term debt
- External Commercial Borrowings
- Lines of credit from different multilateral institutions
- Facilities like Letter of Credit, Bank Guarantee, Supplier's Credit, Buyer's Credit etc.(Which are non-fund based)
- Mezzanine financing and subordinated debt.
- Loan syndication
- Loan underwriting
- Deferred payment guarantee

IMPORTANCE OF PROJECT FINANCE BY BANKS:

- Most Banks have diversified its role from being only a fund provider to pure advisory services.
- Today most banks have hired industry and economic experts to form a distinct Line of business to provide consultancy to infrastructure projects.
- Besides pure advisory income, banks play a major role in intermediation to arrange funds from third party lenders, for a fee.
- Expertise in evaluating projects has given banks the confidence to step into the shoes of a guarantor for such projects globally.
- As for direct financing, banks have been proactively engaged with our country's policy makers to mull on initiatives to make infrastructure financing a cheaper and viable option for projects.

What is 5:25 Scheme?

According to RBI circular, "Banks can flexibly structure the existing project loans to infrastructure and core industries projects with the option to periodically refinance them."
The 5:25 scheme enables banks to refinance or sell out their long-term project loans for every five years so that both the borrower and the lender do not face any difficulty. For banks to avail such a facility, the loan tenure cannot be more than 25 years.

*99# USSD – Towards a Cashless Economy

Introduction

Unstructured Supplementary Service Data (USSD) (*99#) is a mobile banking service that allows customers to access the financial and non-financial services of the banks.

Agencies Concerned

National Payments Corporation of India (NPCI) is the nodal agency of USSDUSSD establishes a network between Banks and Telecom Service Providers (TSP)

About USSD

- USSD technology is a GSM standard for transmitting information providing session-based communication in the banking services
- Customer has to register their mobile number with their bank
- Customer access financial services by dialling *99# from their mobiles registered with their bank accounts
- USSD works exclusively on all GSM handsets
- USSD links the benefits of the telecommunication network to make financial and banking transactions easier.

USSD Features

- No internet is required for its operations
- Uses voice based connectivity
- Very simple to use
- Available to all GSM mobile users through a common code '*99#' across all TSPs
- No roaming charges charged in addition to the ordinary service

- Works round the clock on all days including holidays
- USSD will act as a key financial inclusion measure of GOI
- Customer need not install any new apps to avail this service

USSD Services

- USSD offers three main types of services to customers including
- Financial
- Non-Financial and
- Value added services

Financial Services

- Financial services include fund transfers in the means of
- P2P – Person to Person
- P2A – Person to Account
- P2U – Person to UID

Non-Financial Services

- Mini Statement
- Balance Enquiry
- Know MMID
- Generate OTP
- MPIN

What is MMID?

- MMID is the 7 digit code given by the bank to the user while registering for mobile banking
- Value-added Services
- Aadhar based money transaction (*99*99#)

How to use USSD?

Customer has to dial *99# from their mobile

- Welcome screen appears
- Customer has to enter their bank IFSC first 4 letters or short name of Bank in 3 letters
- Various options pop up for the user
- The user has to select the appropriate option and complete their transaction
- For fund transactions or transfers using MMID and mobile number, both the sender and the receiver must have registered their mobile numbers in their banks
- However, the receiver need not have to register their mobile numbers in their banks for receiving money using Aadhar number or account number from the sender

Limitations

- USSD is charged by TSPs from the customers
- A maximum rate of Rs. 1.50 per transaction is set by TRAI
- This charge will form a major hindrance for common man to switch to USSD
- RBI has initially set a restriction of transacting only 5000 rupees per transaction
- NPCI must make this USSD totally free of cost to achieve the cashless economy as promised by Prime Minister Mr Modi

Conclusion

- USSD is a major initiative of NPCI to move towards a cashless economy like the USA
- USSD enhances financial inclusion to a great extent
- It helps India to move to digital revolution helping in 'Digital India' mission
- Moving to a cashless economy will help curb black money, corruption etc

- USSD is a positive step forward towards making India, a developed nation

4 Insurance Schemes Launched for People with Disabilities (PwD)

Introduction

The current central government has introduced insurance schemes exclusively for PwD under the Sugamya Bharat Abhiyan (Accessible India Campaign).

Nodal Agencies

- Department of empowerment of PwD
- Ministry of social justice and empowerment

Niramaya Health Insurance

- Scheme available all over India except J&K
- Insurance cover of up to 1 lac to PwDs
- Single premium across age bands
- PwDs with disabilities under the National Trust Act are eligible
- No need for pre-medical tests before enrolling in the policy
- OPD treatment facility available including medical check-up, tests, medicines, corrective surgeries and therapies
- Alternate medicine to reduce disability impact
- Covers transportation costs
- Treatment took from any hospital
- Insurance scheme on reimbursement basis only

Swavlamban Health Insurance Scheme

- New India Assurance Company is the implementing agency
- Uniform premium of 357 rupees per PwD person through out the country
- Sum insured is 2 lacs for a year and will cover PwDs in the age group of 0 to 65 years
- OPD benefits include 10000 p.a per PwD and 3000 p.a for mentally retarded people
- PwD family including spouse and up to two children are covered by this scheme
- No premedical tests involved
- Cashless treatment to be taken in New India Assurance created network of hospitals for free treatment under the policy
- Claims must be made to New India Assurance with PwD certificate
- Swavlamban excludes people with autism, cerebral palsy and Multiple disabilities

Gharaunda Scheme

- To provide basic medical care facilities for life long to PwDs
- Professional doctors to offer quality health care services
- Scheme available throughout India except for J&K
- Every Gharaunda centre to have a maximum of 30 PwDs including LIG and above LIG PwDs in the ratio of 1:1
- Payment to be received annually from family members or institutions or guardians
- Covers all adult PwDs included in the National Trust Act

Vikaas Scheme

- It is a medical day care scheme for welfare of PwDs
- Daycare offered to PwDs for a minimum of 6 hours daily (8 AM to 6 PM)
- Maximum batch size of a Vikaas centre is 39
- Day care centres to be opened for a minimum of 21 days in a month
- Minimum attendance fixed at 15 days
- Covers medical treatment of the disability and other health care services
- Scheme available throughout India except for J&K
- National Trust will fund the PwD

Conclusion

- GOI has introduced a slew of measures under the Accessible India campaign
- This gives importance and recognises the importance of PwDs in the society
- The contribution of PwDs to the society is on the rise
- The enrollment of PwDs in the government jobs is also on the rise
- The above health insurance schemes will boost the confidence of PwDs and enable them to live with self-esteem in the society
- The hospital and medical expenses of the PwDs are eliminated to the core with these schemes

Exchange Rates: Things You Need To Know

Introduction

The exchange rate is the price of a country's currency in terms of another country's currency.

How to calculate Exchange rate?

- It is calculated by relating the value of one currency to other country currency
- In mathematical terms, Exchange rate = (price of domestic currency)/(price of foreign currency)
- Example: $1 = 65 rupees implies that one has to give 65 rupees to get $1

Who determines Exchange rate?

- After World War II, World Bank and IMF were formed to reconstruct the war-torn world nations
- IMF determined the exchange rate initially with the quota of the developed nations
- Later, UK withdraw from the fixed rate regime and fixed its own currency rate depending on market conditions
- Gradually, countries also started moving to the floating currency regime
- Currently, the central bank of nations have the power to determine the exchange rate by buying and selling currencies in the foreign exchange market

How to determine Exchange rate?

- To determine the exchange rate, there are three generally used methods

- Fixed exchange rate
- Floating exchange rate
- Crawling peg exchange rate

Fixed Exchange Rate

- Also called as pegged exchange rate
- Central bank of a nation fixes and maintains the exchange rate
- The domestic price of the currency will generally be set against US dollar or other world currency like Euro, Yen or IMF basket of currencies
- Central bank will sell and buy its own currency from the foreign exchange market against the pegged currency
- RBI has been following the fixed exchange rate till 1991
- Now complete fixed exchange rate regime has come to an end and only a combination of fixed and floating rate are employed in the foreign exchange market

Floating Exchange Rate

- Floating exchange rate is determined by demand and supply prevailing in the market
- Rate determined solely by the market
- Exchange rate constantly changes periodically (even on daily basis)
- Also termed as the self-correcting exchange rate
- When the demand for a currency in foreign exchange market becomes low, then its imports become expensive and ultimately its value will decrease
- This will cause heavy demand for goods and services domestically
- This, in turn, results in the creation of more jobs domestically
- Thus an automatic correction is made balancing the demand and supply in the floating currency regime
- The exchange rate changes in global scenario will affect the domestic currency in the floating rate regime
- Currently, this is the widely accepted and adopted currency regime by the world nations

Crawling Peg Exchange Rate

- Also known as Dirty Floating rate
- This is a combination of fixed and floating exchange rate
- Government allows the currency to fluctuate freely in a given band determined by the central bank
- Once the currency exceeds the band fixed by central bank, Government intervenes in the foreign exchange market to stabilise the domestic economy

Implications of Exchange rate

- Appreciation of exchange rate or rupee appreciation implies rise in exchange rate of rupee
- Depreciation of exchange rate or rupee depreciation implies fall in exchange rate of rupee
- Both appreciation and depreciation of currency occurs as a result of change in supply and demand of the currency in the foreign exchange market
- Depreciation of currency favours exports and makes imports costlier

- Appreciation of currency favours imports and makes exports costlier
- Devaluation of currency is similar to depreciation of currency
- India devalued its currency during the 1991 Balance of Payment crisis
- Recently China devalued its currency Yuan
- RBI has the power to devalue the rupee by selling more rupees and buying dollars from the foreign exchange market
- Similarly, RBI can revalue the rupee by selling dollars and buying rupees
- The activities of devaluation and revaluation of currency are associated with the fixed exchange rate regime

International Development Association (IDA)- A World Bank Initiative

Introduction

- The International Development Association (IDA) is an arm of the World Bank, that supports the world's poorest countries. It was established in 1960, IDA aims to reduce poverty by providing loans (credits) and grants for programs that enrich economic growth, reduce inequalities, and improve people's living standards
- IDA complements the World Bank's original lending arm—the International Bank for Reconstruction and Development (IBRD).
- IDA has done 889 projects worth $84.53Billion operating in 10,935 locations across 75 countries(as on 10.11.2016

Some Milestones of IDA:

- 120,000 Kilometres of roads were constructed, rehabilitated or upgraded (FY2011-2016)
- 64 MILLION People received access to better water services (FY2011-2016)
- 7MILLION Teachers were recruited and/or trained (FY2011-2016)
- Half a BILLION People received essential health services (FY2011-2016)

IDA donors Meet:

- Once in three years, global donors meet to replenish IDA resources and review IDA's policy's framework.
- The recent replenishment (IDA17) was finalised in December 2013, which resulted in a $52.1 billion replenishment to finance projects over the 3-year period ending June 30, 2017.
- The next replenishment- IDA 18 is from July 1, 2017, to June 30, 2022.
- The replenishment process typically consists of four formal meetings held over the course of one year.
- In addition to officials from more than 50 donor governments (IDA Deputies), representatives of borrowing member countries are invited to participate to ensure that IDA's policy and financing frameworks are responsive to country's requirements.

Four IDA18 replenishment meetings were scheduled for 2016:

- 14 & 15th March 2016, in Paris, France
- 21 to 24th June 2016, in Nay Pyi Taw, Myanmar
- 10 & 11th October 2016, in Washington, D.C.
- 14 & 15th December 2016 – Yogyakarta, Indonesia

Special Drawing Rights (SDR): Key Points to Remember

Introduction

Special Drawing Rights (SDR) was created in 1969 by IMF as a fixed exchange rate system to support the Bretton Woods agreement.

SDR Calculation

SDR is calculated based on the basket of five international currencies
The five currencies include

- US Dollar
- Euro
- Yen
- Pound and
- Yuan

Role of SDR

- SDR had a dominant role in the world economy and trade during the fixed rate regime
- SDR role diminished after the collapse of fixed rate regime
- The floating rate regime saw huge accumulations of international currency reserves
- In 2009, SDR regained popularity by allocating 182.6 billion SDR to global economy amidst the global economic crisis
- IMF helped world nations to get out of the financial crisis through SDR allocation
- Now, SDR has become a dominant force in international economic scenario

Value of SDR

- SDR is an international reserve asset
- SDR is not a currency
- It is also not a claim on the IMF
- SDR exchanged for freely usable currencies
- Allocated to members of IMF from time to time
- SDR is a potential claim on the IMF member countries
- 204 billion SDRs is equivalent to $285 billion in value
- Valuation and weight of the IMF currencies basket done once in 5 years
- Next valuation to be done on September 30, 2021

SDR Weightage

Following is the weight assigned to the basket of five currencies

- US Dollar – 41.73 %
- Euro – 30.93 %
- Yuan – 10.92 %
- Yen – 8.33 %
- Pound Sterling – 8.09 %

Criteria to get added to SDR

- SDR basket of currencies determined by the IMF Executive board
- Export criteria – The exports of the country must have the largest value in five years
- Freely usable criteria – Widely transacted in the international exchange markets
- Earlier in 1999, Euro was included in the SDR basket replacing Franc
- In 2016, Chinese Yuan was included in the SDR basket

SDR Interest Rate

- Interest rate is determined weekly by IMF
- Interest rate charged on IMF loans and SDR allocations
- Interest rate is given to members of IMF based on their SDR holdings
- Interest rate determined on short-term debt instrument basis prevailing in the money market of SDR currency basket

Conclusion

- SDR of IMF is going to play a crucial role in the global economy
- SDR allocations to member countries of IMF is focused on recovering from an economic turmoil
- SDR basket of currencies are considered as a global standard of currency exchange
- The currencies included in the IMF SDR currency basket will play a dominant role in the world economy
- The five nations in SDR are considered to be politically important and dominant in the international affairs
- The recent inclusion of Chinese Yuan is considered a political victory for China over the USA
- World trade is to be dominated by the SDR basket of currencies with a great boost in international relations

Aadhaar Enabled Payment System (AEPS): At a Glance

Introduction:

Aadhaar Enabled Payment System is a major initiative taken by Government of India to initiate a simple, secure user friendly mode of payment solution by Micro-ATM. It also empower Cashless Economy in the country in future. The basic meaning of AEPS is a customer can pay through Aadhaar Card, i.e. Empowering Cashless transactions in the country. Through Aadhaar Card a customer can access his/her bank account. However, these days Government of India is also trying to empower bank customers to use Aadhaar as his/her main identity to access his/her respective Aadhaar enbled bank account and perform various transactions like balance enquiry, cash deposit, cash withdrawal, Pay through Aadhaar, etc.

Basic banking transactions through Aadhaar Card:

- Aadhaar to Aadhaar fund transfer
- Cash withdrawal
- Cash Deposit
- Balance Enquiry

During Any Basic Transactions a customer's needs:

- IIN (Issuer Identification Number) – It is the Identification number to recognise the Bank to which the customer's banks account is associated.
- Aadhaar Card Number – It is a 12 digit unique identification number provided by the Gov. of India at the time of enrolment.
- Finger Print – A customers need his/her finger print which was captured during their enrolment.

Major Role Played by NPCI in AEPS:

- NPCI (National Payment Corporation of India): It was founded in 2008, Headquarters at Mumbai, It is the umbrella organisation for all retail payment systems in India, which aims to allow all Indian citizens to have unrestricted access to e-payment services.
- NPCI conducts all government benefits/subsidies to beneficiary account in a secured and transparent manner.
- It also provides a unique platform to use safe and secure payment interface to avail those benefits by using their finger prints.
- NPCI is directly in touch with Unique Identification Authority of India to provide Aadhaar Enabled Payment Service to reduce the forgery in Indian Financial System.

Basic Layout/ How it works:

Let us understand by using flow chart. I Hope it will clear everything. But here I will describe the following steps.

- Step 1 – Customer swaps his/her cards at Mini ATM.
- Step 2 – Mini ATM fetch data from Customers Bank
- Step 3 – Customers bank get confirmation from NPCI.
- Step 4 – NPCI get confirmations from UIDAI.
- Step 5 – UIDAI approve confirmed details about customer Account to NPCI.
- Step 6 – Again after getting confirmation from UIDAI , NPCI again asks Creditors details to his/her banks.
- Step 7- Creditors Bank Approve details of creditors to NPCI
- Step 8- NPCI now confirms to SBI
- Step 9 – SBI deduct the amount which customers want to pay/credit.
- Step 10 – Now customers get confirmations bill from Mini ATM.

Benefits of AEPS:

- Aadhaar enabled Payment platform is a very important tools to rule out all the fake data in the system concerning National Social Assistance Programme (NSAP).
- The basic theme of Direct Benefit Transfer is to ensure that the beneficiary gets their benefit through Aadhaar Enabled Payment System (AEPS) which is an accountable, cost-effective and transparent.

MCLR: Marginal Cost of Funds Based Lending Rate- Explained

Introduction

RBI recently made its move from the historic Benchmark Prime Lending Rate (BPLR) to Marginal Cost of Funds Based Lending Rate (MCLR) in April 2016 as the current rate setting method for lending money by commercial banks

Need for MCLR

- RBI changes the repo rates and other rates periodically but the banks are slow in changing their interest rates according to RBI rates
- Most commercial banks do not change their lending rates to customers
- Ultimately, bank customers does not receive the benefits aimed by RBI
- Till now, RBI was verbally instructing the commercial banks to change their lending rates with every Repo rate change
- The real benefit of repo rate change will be realised only when the customer gets benefited
- With the New MCLR, there will be quick change in the lending rate and the commercial banks will have to oblige with RBI at a fast pace as repo rate is included in MCLR calculation

How MCLR is calculated?

- RBI has instructed all the commercial banks to calculate their marginal cost
- Novel feature of MCLR is the inclusion of repo rate along with marginal cost
- Commercial banks now must include the marginal cost components along with the repo rate to arrive at the MCLR lending rate

What are the Marginal cost components?

- Marginal cost weightage in MCLR – 92 %, return on net worth – 8%
- RBI has included the following main components in marginal cost
- Return on net worth (capital adequacy norms)
- Repo rate (short term borrowing rate) and long term borrowing rate
- Interest rate given by banks to various deposits including
- Savings deposit
- Term deposit
- Current deposit
- Foreign currency deposit

What are other components of MCLR?

- CRR negative carry charged on customers
- RBI does not pay any interest to banks for CRR maintained by them and hence banks charge interest to customers for this idle money in RBI
- Tenor premium of charging higher interest rates on long-term loans
- Exclusion of factor minimum rate of return under MCLR
- Overall, MCLR is mainly determined by the marginal cost and the deposit rate

Benefits of MCLR

- MCLR revised on monthly basis benefiting bank customers especially borrowers
- Banks to compete with commercial paper market
- Reduces borrowing cost for companies
- Indian banking industry moves towards international standards

Pitfalls

- MCLR rule exempted for loans given to retired employees, existing employees, government schemes etc
- Banks will be reluctant to change to MCLR rule due to cut in interest rates as currently, it is up to the customer to exercise their loans under MCLR as an option

Conclusion

- Bank customers will quickly get the benefit of the repo rate changes from their respective banks
- Banks also get benefited to compete with commercial paper market
- Companies and borrowers will get benefited with the low-interest rates for short term loans and reflection on repo on lending rates
- MCLR has to be implemented by RBI with a strong monitoring system to check whether banks change their lending rates according to the repo rate cuts
- The ultimate success of MCLR lies in the end user getting benefited
- Lending rates will see quick change in MCLR
- The entire economy of India will get a boost with increase in rate transparency as a result of MCLR - A change in repo by RBI reflects on the loans borrowed by individuals from banks
- Overall, this MCLR regime is one of the innovative measures of RBI to improve Indian banking system to global standards

Important Acts Related to Banking in India

Banking Regulation Act, 1949	1. The Banking Regulation Act Came into force with effective from 16th March 1949. 2. Initially, it was named as “Banking Companies Act, 1949”, but latter the name was changed to Banking Regulation Act 1949 from 1st March 1966. 3. This Act Provides safety in the interest of depositors. 4. This Act forbids the misuse of powers by Higher Authorities/ Staffs / Banking employees etc.

	5. Bank Employee Can take leave according to this ACTS.
SARFAESI Act, 2002	1. Full form of SARFAESI – Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002. 2. This SARFAESI ACT, 2002 acts as a tool to recover the debt, bad loans i.e. NPA (Non-Performing Assets). 3. According to this ACT, bank has the power to seize the securities of Loan Defaulters (Except Agricultural Land) without the intervention of the court. 4. This Act also giver power of "Seize & Desist" to all banks in India.
State Bank of India Act,1955	1. According to this the Reserve Bank of India acquired a controlling Interest in the Imperial Bank of India. 2. This Acts also prevent the misuse of depositors Interests.
Reserve Bank of India Act,1934	1. The Reserve Bank of India Act Came into Effect from 6th March 1934. 2. This Acts Provides the Supervision and Regulation of the banking system in India. 3. According to this Act, all Scheduled Bank must have minimum 5 Lakh & above pay up capital. 4. According to this Act RBI has the power regarding the exchange of damaged and imperfect Currency Notes. 5. According to this Act, the Maximum denomination of Currency Notes can be Rs.10,000. 6. According to this Act, only the RBI or Union Government can issue and accept Promissory Notes which is payable on demand. 7. According to this Act, Every Schedule Bank has a minimum capital with the RBI on Daily basis which is generally termed as CRR.

	8. This Act also says each & every bank in India needs to follow the guidelines which are implemented by RBI. 9. According to this Act RBI can charge/fine any bank with prior notice if the bank not obeys the guidelines.
Foreign Exchange Regulation Act, 1973	1. This Act Came in force with Effect from 1st January 1974. 2. These Acts impose the strict rules and regulations on certain kinds of payments/transactions, the dealings in foreign exchange and securities and the transactions which had an indirect impact on the foreign exchange and the import and export of currency. 3. FERA was repealed in 1988 by the Union Government at the time of Atal Bihari Vajpayee Government and Replaced FERA into FEMA.
Foreign Exchange Management Act, 1999	1. This Act was enacted on 29th December 2000. 2. This Act makes offences related to foreign exchange civil offences. 3. This Act was Enacted after Replacing FERA Act, 1973 with a New Strict Norms and guidelines. 4. This Act enables the Reserve Bank of India and the Central Government to pass regulations and rules relating to foreign exchange in tune with the Foreign Trade policy of India.

Line of Credit Guidelines by IDEAS: Explained

Introduction	Indian Development and Economic Assistance Scheme (IDEAS) was given approval by the cabinet

committee on Economic affairs chaired by Prime Minister Modi.

About IDEAS

- IDEAS is used by GOI to extend Line of Credit (LoC) to African nations, neighbours and other developing nations
- Earlier Department of Economic Affairs was held responsible for LoC till 2010
- GOI used to sign deed of guarantee with the recipient nations of LoC
- This deed serves as the guarantee against any default against principal or interest by the borrowing nations
- Now new guidelines have made Line of Credit to be processed through IDEAS

Agencies Involved in IDEAS

- Department of Economic Affairs is the implementation agency
- Ministry of Finance is the nodal agency
- EXIM bank is the lending agency
- Any PSU Bank or lending agency authorised by Ministry of Finance can extend Line of Credit

Countries covered under LoC

- Low-income countries classified according to IMF
- Lower Middle-Income countries with no minimum binding concession requirement
- Other developing nations
- Detailed classification of low and low-middle income nations available under EXIM bank annexure

Terms of Credit

- The terms of credit vary across three categories of low income, low middle income and other developing nations
- The maturity period of the loan extended by LoC through IDEAS is 25 years maximum
- The maximum interest rate charged by EXIM Bank is 1.75%
- A maximum grant of 37.48 % is given to the borrowing nation by GOI
- A moratorium of 5 years
- Elements of credit are calculated by EXIM bank according to IMF formula
- GOI is the ultimate authority in India to revise the terms from time to time for LoC extended through IDEAS
- Countries are selected through competitive bidding based on their proposals
- Tenor of Infrastructure projects worth $200 million or more and strategic important projects worth $100 million or more are extended by 5 year

Benefits of IDEAS to Borrowing Nation

- Low interest rate to the tune of 1.5 % and a maximum of only 1.75 %
- 100 % finance from GOI
- Exemption from duties and taxes
- Administrative charges at the lowest including commitment and management fee of 0.5 % per annum
- Friendly relations with India

Benefits to India

- India will earn good will among world nations helping low-income nations especially the African nations
- IMF has lauded the real and sincere efforts of India in development of African nations
- Establish trade relations with world nations
- The recently inaugurated Friendship Dam in Saudi Arabia is one such example

- India will get the support of the borrowing nations in the international scenario while voting on strategically important decisions in UN and other international organizations
- Mongolia, African Nations like South Africa, Ghana, Zimbabwe, Nigeria, Congo, Namibia and other developing nations are covered under IDEAS scheme of GOI
- Indian officials in the high level including Prime minister, President and Vice President have visited these countries to extend LoC through IDEAS
- India can establish diplomatic ties with these borrowing nations and strengthen herself
- Bilateral ties and many other agreements are signed with the borrowing nations

Conclusion

- IDEAS scheme of GOI and EXIM Bank promote the friendship of India with the world nations
- The massive tours made by Prime Minister Modi to different nations are in line with the IDEAS scheme and promoting India as a manufacturing hub in the international scenario
- Overall, IDEAS is a positive step of India growing globally establishing friendship with world nations through positive means

Kisan Credit Cards: All You Need to Know

What is a Kisan credit card?

- Kisan Credit Card is offered to farmers in India in order to enable them to access affordable credit. Reserve Bank of India (RBI), along with National Bank for Agriculture and Rural Development (NABARD) initiated the conception of Kisan Credit Cards (KCC) in 1998-99, in order to assist agriculturists to have easily accessible cash credit facilities.
- Kisan Credit Card facility was proposed by the Finance Minister Shri Yashwant Sinha in the FY1998-99 Budget, with the objective of providing accessible short-term credit to farmers to meet their immediate credit requirements during the crop seasons.
- Reserve Bank of India (RBI), with National Bank for Agriculture and Rural Development (NABARD), shouldered the responsibility and initiated the Kisan Credit Cards in India.

Why Kisan Credit Cards?

- To provide timely credit facility to support agriculture and allied activities.
- To eliminate unregulated credit by money lenders.
- To boost nation's Agribusiness environment and productivity to international standards.

How do Kisan Credit Cards work?

- Based on the land holdings and the income earned from the cultivation in it, banks issue farmers Kisan Credit Cards.
- The card holder/ farmer should have a good credit history to be eligible for the KCC.
- The Card holders get facilities like passbook, particulars of land holding, address, validity

period, credit limit, etc., which acts as the customer's unique identification and as a system for tracking transactions.

- Kisan credit cards can be used at outlets, as well as to withdraw cash to make the necessary purchases for agriculture.

Interest and other charges on Kisan Credit Cards:

- Kisan Credit Card interest rates, as well as credit limits, varies from bank to bank. Generally, the applicable interest rate per annum for Kisan Credit Cards is 9%, for a maximum Rs. 3 Lakh as a credit limit.
- The Central government subsidies on interest rate applicable to the financing institutions, provided that the cardholder's credit history is good.
- The additional interest subsidy of 2% is provided and if the customer has a soundtrack record for 3 years, She/he is eligible for an increased credit limit.
- Other charges and fees involved in taking credit under KCC scheme are insurance premium, processing fees, charges on land mortgage deed, etc.

Benefits of Kisan Credit Cards:

- Time and cost-efficient scheme.
- Comparatively lower interest rates.
- Single term loan for all agricultural requirements.
- Flexible repayment options.
- Assists in the purchase of fertilisers, seeds, availing cash discounts from merchants/ dealers, etc.
- Funds withdrawal from any of the Bank's branches, as per the sole discretion of the bank is possible.
- Income from agriculture and allied sources determines the maximum credit limit.
- Repayment of the credit can be made once the harvest season in over.
- An elaborate documentation process is not required or continuous appraisals under the Kisan Credit Card Scheme.
- Cash withdrawal using the Kisan credit card requires very little paperwork, it is simple and hassle-free for both (the card holder and bank).
- Some other advantages include no transaction costs, lesser risks in loan recovery, etc.

Top Banks Providing Kisan Credit Card in India:

NABARD:

NABARD offers term loans and easily accessible credit to farmers to meet their basic agricultural expenses.

State bank of India:

Short-term credit is offered to farmers, for the purpose of meeting the credit requirements for production, expenses related to agriculture allied activities, as well as contingency reserves and expenses.

Bank of India:

The Bank provides financial support to farmers in order to meet the expenses involved in cultivation and other Agri-allied activities, at a comparatively lower cost.

IDBI

IDBI offers Kisan Credit Cards to farmers along with additional features like crop loans, investment credit and working capital for meeting agricultural expenses.

National Payments Corporation of India (NPCI) and KCC

RuPay Kisan credit cards are to be offered by National Payments Corporation of India (NPCI), as a part of its domestic card scheme for multilateral payments in RuPay platform.

Under PMJDY(Jan Dhan Yojana), debit cards are offered in RUPAY platform.

Insurance under Kisan Credit Card Scheme:

A personal accident insurance cover for farmers who have a Kisan Credit Card, as soon as the customer avails the scheme is provided. The individual gets a personal accident cover of Rs. 50,000 in the event of deceased(death), and Rs. 25,000 in the case of disability.
In order to avail this insurance cover, the customer should not be above the age of 70 years at the time of availing the Kisan Credit Card

Financial Inclusion Fund (FIF) by RBI- Key Points Explained

Introduction

Financial Inclusion Fund (FIF) was formed by merging FIF and Financial Inclusion Technology Fund (FITF) and established by RBI

Background

- FIF and FITF were established in the year 2007 – 2008 over a period of five years
- Initial corpus was 500 crore
- Contribution of GOI, RBI and NABARD was in the ration 40:40:20
- RBI framed guidelines for both these funds
- RBI merged both funds into a single entity named FIF and came into effect in 2016

Nodal Agencies

- RBI established FIF with a corpus of 2000 crore
- NABARD maintains the funds of FIF
- GOI administers the FIF

Need for FIF

- To create awareness among people about financial inclusion
- To set up financial literary centres at every block level
- To cater to the services of Jan Dhan Yojana account holders
- To set up standard kiosks to create financial literacy in gram panchayats
- The Kiosks will be highly interactive to educate the masses
- NABARD support to establish skill development centres (SETI)
- SETI aimed at imparting skills necessary for generating income
- To provide linkages in a forward manner and establish marketing activities

- To improve network connectivity by sharing government projects pertaining infrastructure and telecommunication development

Objectives of FIF

- To enhance financial inclusion on a large scale
- To support promotional and development activities
- Increased technological absorption capacity
- To provide ICT solutions
- To increase stakeholder capacity building
- FIF funding is done through ICT – BC model (Information and Communication Technology – Business Correspondent Model)
- To support banks investment in purview of business expansion in future
- To address the various issues pertaining to financial inclusion including training, skill development, creating awareness and lack of infrastructure and ICT etc

Eligible Institutions to get FIF

- Self Help Groups (SHG)
- NGO
- Cooperatives
- Farmer clubs
- Panchayats
- Village knowledge centres
- Agricultural societies
- IT enabled rural entities
- Rural multipurpose Kiosks etc

Other Guidelines

- Contribution to FIF in excess of 0.5 percent from STCRC and RIDF deposits
- NABARD to maintain all the fund sources and FIF
- FITF funds transferred to FIF
- RBI decides operation of FIF for a fixed period of years
- Union government in consultation with other stakeholders decides important amendments on FIF
- FIF will be included as a part of National E-Governance plan

Exceptions

- FIF not to be used for normal banking transactions
- FIF not to be used for normal business transactions

Conclusion

- FIF seems to a positive step forward to enhance financial inclusion
- This is yet another measure of GOI to move towards a digital lifestyle and a cashless economy
- Financial inclusion and its benefits will be known to the common people through training programs conducted through FIF
- This will help majority of the Indians to come into the formal banking sector
- Subsidies will reach the beneficiaries directly in the bank accounts
- FIF is a positive step of RBI, GOI and NABARD to educate the rural masses and bring them under financial inclusion

Sovereign Gold Bonds Scheme: All You Need To Know

Introduction

Sovereign Gold Bonds scheme was launched in the budget session 2016 and approved by the cabinet to reduce the demand for physical gold

Background

- India is one of the largest importers of Gold in the world
- The demand for Gold in India is rising rapidly
- Imports of India see a hike with Gold as the major contributor
- This affects the balance of trade figures for India
- GOI needed to restrict the Gold imports to have a positive balance of trade
- This created the need for Gold bonds scheme
- Gold Bonds are seen as an alternative to purchase gold metal

About Gold Bonds

- Gold Bonds are issued by RBI with a fixed interest rate
- Ministry of Finance is the concerned ministry
- RBI in consultation with Finance ministry determines the issuing amount
- Risk of gold price changes borne by the Gold Reserve Fund created by RBI
- GOI aims to shift 300 tonnes of Gold purchased annually as bars and coins into the Gold Bond Scheme
- This Gold Bond scheme is expected to help GOI sustain the current account deficit

How does Gold Bonds Work?

- Gold Bonds are sold in banks
- Investor can walk in buy the gold bonds from the banks preferably where they have their Saving Bank accounts
- Gold Bonds are treated in a similar manner as a Bank Fixed Deposit
- The interest rates are fixed at 1 to 2 percent
- The tenure of the bond is from 5 to 7 years
- Value of the bond is determined by the gold price movements in the market
- Gold Bonds have an attractive feature
- The investor will get the value of bond according to the prevailing gold prices in the market at the time of redemption
- In this manner, the investor will get the same benefit of purchasing the metal gold without actually purchasing it
- In this manner, GOI can restrict Gold imports to a certain extent
- Returns on gold bonds can be positive or negative
- All risks of the gold bond are covered under the Gold Reserve Fund

Features of Gold Bond

- Bonds issued by RBI with a sovereign guarantee
- Bonds can be easily traded and sold on exchanges

- Gold Reserve Fund will be created by GOI through RBI
- On gold bond maturity, redemption will be made in Rupee only
- Price of gold bond will vary with the market prices of gold
- Investor needs to be aware of this price volatility
- Gold bond deposits will not be hedged
- RBI has fixed tenor of the bond from 5 to 7 years to protect the investors from medium term volatility

Limitations

- NRI cannot buy gold bonds issued by RBI
- Common Indian buys gold for marriage and other occasions as a Jewellery and not for investment purpose
- The attitude of a common Indian towards gold is not of investor nature
- This attitude will see a Luke warm response to the Gold bonds schemeAlso, the interest rate offered is very low in the tune of 1% to 2%

Conclusion

- The effectiveness of the scheme will depend on the investor attitude towards the gold bond scheme
- GOI must take steps to change the mindset of Indians from viewing gold as a jewellery or a status symbol to an investment avenue
- This transition in behaviour of Indians will take time
- Overall, Gold bond scheme is a welcome measure to cut imports on gold purchase

Better Than Cash Alliance Network: Explained

Introduction

The move towards cashless economy in India has its roots from Jan Dhan Yojana triggered through UN's Better Than Cash Alliance Network

Background

- Better than Cash Alliance Network is an initiative of United Nations Capital Development Fund (UNCDF)
- UNCDF is the secretariat of the alliance based at United Nations
- It is a partnership of international agencies, companies and countries
- Alliance is funded by Bill and Melinda Gates foundation, Master card, Citi foundation, Visa, Omidyar network and Ford foundation

Aims and Benefits

- Aim is to help countries to make a transition to electronic or digital payments
- Alliance promotes inclusive growth
- It reduces poverty by helping nations to benefit poor directly
- The alliance promotes financial inclusion
- It enhances digital finance
- Reduce costs for countries
- Women empowerment
- Increases transparency levels

Implications for India

- Better than Cash Alliance fueled the world's largest financial inclusion system of Jan Dhan Yojana in India
- Helped open about 180 million accounts in a year accumulating to $3 billion in deposits in India
- Brought nearly 300 million Indian citizens under formal banking sector in 3 years
- The financial inclusion along with Aadhar identification will help in identification of beneficiaries to provide subsidies
- The LPG subsidy is a major success in India through DBT saving $2billion to GOI annually
- India can enhance its research and technology by joining in the alliance
- India gained a policy partner through the alliance
- India is a great case study and success story of Better than cash alliance

Conclusion

- India has benefited a lot from the alliance in the recent demonetization scenario
- GOI has partnered with the alliance to make a change to cashless economy
- It has improved transparency levels to a great extent by bringing most of the financial transactions under formal banking sector
- Alliance has given India the required infrastructure and technical expertise to change to a cashless economy
- The alliance has helped India develop a digital economy
- Creating awareness and changing the attitude of the Indians from traditional to modern methods is a big challenge
- India is progressing to a cashless economy despite facing a lot of hurdles and challenges
- UN Better than cash alliance is an aid to India's "Digital India" Mission
- Overall, India is changing with the partnership of the UN Better than cash alliance

Important Parliamentary Acts related to Banking sector in India

Name of the Act	Year of Promulgation
Societies' Registration Act	1860
Negotiable Instruments Act	1881
Co-operative Societies Act	1912
Provident Funds Act	1925
Reserve Bank of India Act	1934
Insurance Act	1938
Central Excise Act	1944
Public Debt Act	1944
International Monetary Fund and Bank Act	1945
Employees' State Insurance Act	1948

Banking Regulation Act	1949
Chartered Accountants Act	1949
Contingency Fund of India Act	1950
Employees' Provident Funds and Miscellaneous Provisions Act	1952
State Bank of India Act	1955
Life Insurance Corporation Act	1956
Securities Contract Act	
Companies Act	
Central Sales Tax Act	
State Bank of Hyderabad Act	
State Bank of India (Subsidiary Banks) Act	1959
Deposit Insurance and Credit Guarantee Corporation Act	1961
Customs Act	1962
Unit Trust of India Act	1963
Nationalization of Banks Act (But government decided to nationalize 14 major commercial banks on 19th July, 1969.)	1964
Banking Laws (Application to Co-operative Societies) Act	1965
PPF Act	1968
General Insurance Business (Nationalization) Act	1972
Regional Rural Banks Act	1976
Prize Chits and Money Circulation Scheme (Banning) Act	1978
Export-Import Bank of India Act	1981
NABARD Act	1981
Chit Funds Act	1982
General Insurance Business (Nationalization) Amendment Act	1985
Securities and Exchange Board of India Act	1992
Insurance Regulatory and Development Authority Act	1999
Foreign Exchange Management Act	1999
Prevention of Money Laundering Act	2002
Fiscal Responsibility and Budget Management Act	2002
Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act. (Colloquially, SARFAESI Act)	2002
Government Securities Act	2006
Securities Laws (Amendment) Act	2014

The Regional Rural Banks (Amendment) Act- Diluted the sharing pattern by limiting the composite share of central govt. and sponsor bank to 51%	2014
The Insurance Laws (Amendment) Act- Pushed FDI limit to 49%	2015

Reverse Mortgage Loan: Explained with Key Points

Introduction

A reverse mortgage is a special kind of home loan for senior citizens who are above the age of 60. This type of loan does not need any payments on a monthly basis but still the people who opt for such a loan have to take care of property taxes and homeowner's insurance. Reverse mortgage loans help senior citizens to defer or postpone payment of the home loan till their death or when they sell or move out just because they have accessed the home equity that has been built up in their houses. The interest which builds up is added to the loan balance at the end of each month since there are no mortgage payments needed on such types of loans. The loan balance rises gradually and can even grow to exceed the value of the home mainly at the time when the value of the house is declining or if the person involved keeps on living in the home for more than the expected time period. However, the borrower is generally not required to repay any additional loan balance in excess of the value of the home. The reverse mortgage is also known as a Home Equity Conversion Mortgage (HECM).

Features Of Reverse Mortgage Loans

- The scheme of reverse mortgage has been brought about in order to provide help of senior citizens who own a house but have inadequate income to meet their needs
- A homeowner who is above 60 years of age is eligible for the reverse mortgage loan. It allows him to turn the equity in his home into one lump sum or into payments which will be done periodically as agreed upon by the borrower and the banker.
- No repayment is needed as long as the borrower lives and he or she should take responsibility to settle payments of all taxes relating to the house and maintain the property as his primary residence.
- The loan amount to be provided depends on several factors:
  (i) Borrower's age
  (ii) Value of the property
  (iii) Current interest rates
  (iv) The specific plan chosen

RBI Guidelines

- Maximum loan amount would be up to 60% of the value of the residential property.
- Maximum tenure of the mortgage is 15 years and the minimum is 10 years.
- Monthly, quarterly, annual or lump sum loan payment options

- Property revaluation to be undertaken by the lender once every 5 years.
- If at such time, the valuation has increased, borrowers have the option of increasing the quantum of the loan. In such a case, they are given the incremental amount in lump-sum.
- Amount received through reverse mortgage is a loan and not income. Hence it will not attract any tax.
- Reverse mortgage interest rates could be either fixed or floating. The rate would be determined by the prevailing market interest rates.

Eligibility Criteria

- House owners above the age of 60 years. If spouse is a co-applicant, then she should be above 58 years.
- Owners of a self-acquired, self-occupied residential house or flat, located in India. The titles should be clear, indicating the prospective borrower's ownership of the property.
- Property should be free from any encumbrances.
- The life of the property should be of minimum 20 years.
- Property should be the permanent primary residence of the individuals.

Highlights

- Borrowers could prepay the loan at any time during loan tenor at no penalty or charges.
- The borrower can live in the house even if he outlives the tenure, but the lender may cease the monthly payment.
- Settlement of the loan is done only after the borrower's death.
- If one of the spouses dies, the other can still continue living in the house.
- After the death of both, the settlement of the loan takes place.
- The loan could be foreclosed by the lender if
- borrower has not been living in the house
- borrower has failed to pay property taxes and to ensure the home
- borrower is bankrupt
- mortgaged property is donated or abandoned by the borrower.
- If the borrower makes changes in the residential property, that could affect the security of the loan for the lender. This could be renting out part or entire house, addition of a new owner to the house's title or creating further encumbrance on the property.
- If the government under statutory provisions, seeks to acquire or condemn the residential property for health or safety reasons.

Drawbacks

- Lengthy documentation procedures
- Fixed monthly amounts

Conclusion

According to the scheme formulated by National Housing Bank (NHB), 15 years is the maximum period of the loan wherein the property's residual life should be 20 years or more. In case the borrower lives for a period longer than 15 years, no periodic payments will be made by lender. However the one who has opted for the loan can continue to occupy the house as long as he or she wants.

Latest List of Indian banks - Their Heads and Head Office (Dec 2016)

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	Melwyn O. Rego	7 September, 1906	Mumbai, Maharashtra
Bank of Maharashtra	R K Gupta	16 September, 1935	Pune, Maharashtra
Bank of Rajasthan	Shri Govind Ram Seksaria	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	Kishor Kharat	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	N. Krishnamachari	2 October, 1913	Bengaluru, Karnataka
State Bank of Patiala	S. A. Ramesh Rangan,	1917	Patiala, Punjab
State Bank of Travancore	Jeevandas Narayan	12 September, 1945	Trivandrum, Kerala
South Indian Bank	V. G. Mathew	1929	Thrissur, Kerala
Syndicate Bank	Arun Shrivastava	1925	Manipal, Karnataka
UCO Bank	Ravi Krishan Takkar	6 January, 1943	Kolkata, West Bengal
Union Bank of India	Arun Tiwari	11 November, 1919	Mumbai, Maharashtra
United Bank of India	P. Srinivas	1950	Kolkata, West Bengal
Vijaya Bank	Kishore Kumar Sansi	1931	Bengaluru, Karnataka
Yes Bank	Rana Kapoor	2004	Mumbai, Maharashtra

Bitcoin - Everything You Need To Know

Introduction

Bitcoin is a virtual currency (to be precise Bitcoin is cryptocurrency and a payment system). It can be defined as “decentralized means of tracking and assigning wealth or economy, it is a software protocol. It was invented by an unidentified programmer, or group of programmers, under the name of Satoshi Nakamoto. It was introduced on 31st October 2008 to a cryptography mailing list and released as open-source software in 2009. Bitcoin is the largest of its kind in terms of total market value. Bitcoin uses two cryptographic keys, one public (username) and one private (password) are generated, no name, IP address or phone number is recorded. It is estimated that there a total of 21Million Bitcoin. Just like 1Rupee=100 paisa, 1Bitcoin= 108 Satoshi.

There are 3 ways to earn Bitcoin

- Solving data blocks (Mining Software)
- Goods and service Exchange.
- Exchange currency (i.e. exchange your fiat currency for Bitcoin and vice versa).

SBI NETBANKING VERSES BITCOIN

RTGS: Real Time Gross Settlement	NEFT: National Electronic Fund Transfer	Bitcoin
Retail 2-5 Corporate:>5	50k at a time	No ceiling
Processing fees 25-55 Rupees	2.50-25 Rupees	None
Instant	1 hour cycles	Up-to 10 minutes
Bank account needed	Bank account needed	Not even ID is needed only Bitcoin wallet

ADVANTAGES OF BITCOIN

Safes from duplication (i.e. cannot be copied) by frequently checking code at an interval of 10 minutes.

- No Tracking
- No Transaction costs
- Bitcoin cannot be stolen
- No risk of charge backs
- It can easy be converted into Dollar from MT.GOX

DISADVANTAGES OF BITCOIN:

- No central bank has authorised Bitcoin
- No trade through BSE, NSE, commodity exchange (SEBI, FMC)
- No Forex dealer under FEMA converting $$=Rs=Bitcoin illegals
- Bitcoin Exchange website= legal status unclear

Risks

- It can be Hacked, phished, damaged by malware, password lost. In all case, money will be lost.
- Consumer courts cannot help as these bodies follow fiat currency.
- Mere digital code, no intrinsic value, not backed by Gold Silver or crude oil.
- Same with all other crypto-currency lite coin, bbq coins, dogecoin etc. Even in India Laxmicoin.com is founder by Mitts Daki (US) and Raj Dangi (Bangalore) and promises to give 30% of profit to NGO but RBI denied their proposal in 2013 as they stand "Examining the issues in Digital currency".
- Buysellbitco.in; First Bitcoin exchange in India; founded by Mahim Gupta from Bhopal. It was

closed by RBI in 2013. They provide around Rs 14,400 for 1 Bitcoin and sell 1 Bitcoin for around Rs 14,800.

- Reserve Bank Of India and People Bank Of China denied it as legal tender.

As we Indians have Income Tax Department USA has IRS (Internal Revenue Service), IRS stand for Bitcoin.

Bitcoin Price History

NPA and SARFAESI Act, 2002

Today's piece information focuses on NPAs and Asset Classification.

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 within the 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 are 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.

BHIM (Bharat Interface for Money): All You Need To Know

Introduction

India is advancing at breathtaking speed towards a cashless economy and to make digital mode of payment a habit for people our honourable Prime Minister Narendra Modi has launched a new application for mobile payment BHIM (Bharat Interface for Money) on the 30th of December.

What is BHIM?

Bhim is an application for payment through smartphones which is based on the technology of UPI (Unified Payment Interface). This app has been developed by the NPCI (National Payment Corporation of India) in association with Juspay.

This app is now readily available on playstore which is the android platform the and same for the iOS platform is expected to be launched soon.

Features of BHIM

- It is based on UPI technology
- Enables digital transactions across multiple banks
- It links directly to one's bank account
- It uses IMPS (Immediate Payment Service) for which one has to pay a minimal fee for transactions of 1 lakh or above.

How to use

- On downloading the app users will be asked to verify their mobile numbers which are linked with their respective bank account.
- After verification the app will show a list of all the bank accounts linked to the mobile number.
- One has to select the account he or she wants to make transactions through
- After selecting the account the user has to enter a 4 digit code (UPI PIN) to make transactions through the app
- The payment address will be set as the mobile number which is entered for verification which can be changed later.

Positive points of BHIM

- A smartphone or even a feature phone of around 1000 INR will support the BHIM app
- Having an internet connection is not mandatory for making transactions through the app
- In this system, once the bank account is linked with an Aadhar gateway, payments can be made through a thumb impression
- Users can also use the app for shopping. For this an Aadhar based merchant app has to be downloaded by the retailer along with a biometric reader to enable payment through thumb print.

Limitation

- For now maximum limit for every transaction has been set at 10,000 INR and a total transaction of 20,000 INR per day. The limits are expected to change in future.

Banks supporting BHIM

- The new BHIM Payment app is supported by banks like SBI, ICICI, Axis Bank, HDFC Bank and many others.
- The BHIM app is at its early stages and thus there might be some glitches but with time improvements are bound to take place taking the country forward to digitization and transforming India into Digital India.

TransUnion CIBIL Limited: Everything You Must Know

Introduction

- "CIBIL" stands for 'Credit Information Bureau India Limited'.
- "CIBIL" now known as 'TransUnion CIBIL Limited'.

It is India's first Credit Information Company(CIC).
It was founded in August 2000.
Basically, CIBIL collects and maintains records of an individual's payments pertaining to loans and credit cards.
CIBIL was formed to play a crucial role in India's financial system, helping loan providers manage their business.

Functioning of CIBIL

- First, On a monthly basis records are submitted to CIBIL by member banks and credit institutions.

- Then, these informations are used to create Credit Information Reports(CIR) and Credit scores.
- Last, Records are provided to credit institutions in order to help evaluate and approve loan applications.

History

- Previously, when a person wanted loan from any bank or financial institution, Then Banks had no information regarding
- his/her loan re-payment capability.
- Due to this, Banks and financial institutions faced many losses because Borrowers were unable to pay their loan.
- In 2000, GOI decided to form an institution which keep records of every individual's credit score and maintains it and Provide it to its members.
- In 2004, Credit bureau services are launched in India (Consumer Bureau).
- In 2006, Commercial bureau operations commenced.
- In 2007, CIBIL Score, India's first generic risk scoring model for banks and financial institutions, was introduced.
- In 2010, Two firsts for the credit industry in India with the launch of:

(a) CIBIL Detect: India's first repository for information on high-risk activity.

(b) CIBIL Mortgage Check: The first centralised database on mortgages in India.

- In 2011, CIBIL TransUnion Score is made available to individual consumers.
- In 2016, TransUnion acquires a 82% stake in CIBIL to become TransUnion CIBIL, India's leading credit information company.

Divisions of CIBIL

CIBIL houses credit on over 220 million trades across individuals and businesses, organised into two divisions:

1. Consumer Bureau - The Consumer Bureau was launched in 2004 with 4 million records, and now maintains more than 260 million records.
2. Commercial Bureau and MFI Bureau - The Commercial Bureau was launched in 2006 with 0.7 million records,

and now maintains more than 12 million records.

Shareholders

- TransUnion International Inc.(55%), SBI(6.1%), ICICI(6%), Indian Overseas Bank(5%), The Hong Kong & Shanghai Banking Corp. Ltd.(5%),
- Union Bank of India(5%), BOI(5%), BOB(5%), India Alternatives Private Equity Fund(2.9%), India Infoline Finance Limited(1%).

Quick Facts

Name of organisation	TransUnion CIBIL
Founded	August, 2000
HeadQuarter	Mumbai, India

MD and CEO	Mr. Satish Pillai
Chairman	Mr. M.V Nair
Total members	900 members
Website	www.cibil.com

Employee Provident Fund and Miscellaneous Provisions Act, 1952

Introduction

The objective of this act is to provide substantial security and timely monetary assistance to the employer and their family members. This act covers all the state of India except Jammu and Kashmir. It applies to any factory or any other establishment employing 20 or more persons with the permission of central, according to central government's official gazette. But the central government is empowered to apply this provision to any employing less than 20 persons with prior notification at least 2 months before.

Major schemes

This act covers three major scheme, they are

- Employees provident fund scheme
- Employees pension scheme
- Employees deposit linked insurance scheme

Central government constitute a Central Board to diagnose where all the act applies and all appointments by the central government.

The Central Board shall constitute of

- Chairman, Vice Chairman
- Central provident fund (CPF) commissioner who shall be an ex-office member of the board
- Not more than 15 persons appointed by central government
- Not more than 15 persons representing the government of state
- 10 person representing employees of the establishments to which the scheme applies.

The board's duties are administering the funds vested in it by means of contributions and maintain proper accounts of its income and expenditure in central government's prescribed way. It also performs other functions under any provisions of Employees Provident Fund scheme and Insurance scheme.

Central government constitute Executive Committee to assist the central board in the performance of its function

- Chairman, he is appointed from amongst members of central board
- 2 persons from central amongst central board
- 3 persons representing employers and 3 persons representing employees

Government CPF commissioner is to serve as CEO of Central Board, a Financial advisor and Chief Accounts Officer to assist central provident fund commissioner in the discharge of his duties.

The Central government also constitutes Employee Provident Fund Appellate tribunal and it consists of only one person who is Presiding officer. Eligibility for the presiding officer is that a person must be the judge of high court or district court.

Contributions

The provident fund contributions consist of contribution both by Employee and by Employer.

Employee's Contribution:

An employee is eligible for membership of Employee Provident Fund from the very 1st date of joining in any establishment getting salary up to Rs6500 Provident fund contribution is recovered at 12% of wages from employee salary. The pension is that which represents a person has retired. To avail pension a person should have 10years of continues service and with age of 50years or more will receive pension amount on monthly basis after the age of 58. A member is eligible to apply for withdrawing his provident and pension fund only after 2 months from the date of registration, provident that he/she is not employed during those 2months. Employer's Contribution: Employer is also required to contribute towards provident fund, the deduction rate is same as employee's contribution i.e. 12% of the wages. Of this 12%, 3.67% goes to Provident Fund and the balance of 8.33% goes to Pension Fund.

Advance PF

A person is eligible to withdraw money in advance from their PF Account for purposes like marriage, education, medical treatment etc, subject to the prescribed conditions. Note that the said advance is totally tax-free and interest-free.

Employees Deposit-linked Insurance Scheme (EDLI)

Apart from contributing to provident fund and pension fund, an employer is also required to contribute towards Employee Deposit Linked Insurance Scheme. The rate of contribution is 0.5% of the wages.

The employees need not contribute anything towards this scheme. In the case of death of a member, his / her nominee will get a maximum of Rs.60,000 from this scheme. The employer is also required to pay administrative charges at 1.10% of emoluments towards provident fund charges and 0.01% towards EDLI Scheme. Employees need not contribute anything towards these charges.

Conclusion

Thus Employee Provident Fund grants the employee to have a regular income through a pension. These are the important facts of Employee Provident Fund and Miscellaneous Provisions Act,1952.

Primary Security vs Collateral Security

What is Security?

One of the major functions of a bank is to provide credit to the customers for various purposes such as home, vehicle etc and a bank's strength and solvency depends on the quality of its loans and advances. Security resembles an insurance against emergency. It provides a protection to the lender in case of loan default as the lender could acquire the security if the repayment is not done by the borrower.

What are Secured and Unsecured loans?

An arrangement in which a lender gives money or property to a borrower and the borrower agrees to return the property or repay the money, usually along with interest, at some future point in time is called a loan.
A loan can be broadly classified as a secured and unsecured loan.

Secured loans

Secured Loans are those which are protected by some sort of asset or collateral, for example – mortgage, auto loan, construction loan etc. If the lender is unable to repay the loan, the borrower has the right to sell off the asset to recover the loan.

Unsecured loan

Unsecured loans include things like credit card purchases, education loan where borrower don't have to provide any physical item or valuable assets as security for the loan. If a person is not able to repay this type of loan it leads to a bad credit history which creates problems in future when he tries to get a loan from other lenders or the lender may appoint a collection agency which will use all its possible tools to recover the amount.

Basis for comparison	Secured loan	Unsecured loan
Asset	Compulsory	Not compulsory
Basis	Collateral	Creditworthiness
Risk of loss	Very less	High
Tenure	Long period	Short period
Borrowing limit	High	Less
Rate of interest	Low	High

What is the importance of Asset/collateral?

For lender: It reduces the risk associated with the loan default as in the case of insolvency of the borrower the lender could sell off his asset to compensate the loss occurred. Moreover, the borrower will make payments if he doesn't want to lose his pledged security.

For borrower: Secured loan has a low rate of interest and give more time to repay the loan so a borrower with low income can easily afford it. Secondly, if a borrower has bad credit or limited income, most of the financial institutions are reluctant in providing a loan but if he pledges collateral, the lender may be more willing to approve his application.

Types of security

There are two types of security

Primary Security

When an asset acquired by the borrower under a loan is offered to the lender as security for the financed amount then that asset is called Primary

Security. In simple terms, it is the thing that is being financed.

Example: A person takes a housing loan of Rs 50 lakh from the bank and purchases a residential loan. That flat will be mortgaged to the bank as primary security.

Collateral Security

If the bank or financial institution feels that the primary security is not enough to cover the risk associated with the loan it asks for an additional security along with primary security which is called Collateral Security. It guarantees a borrower's performance on a debt obligation. It can also be issued by a third party or an intermediary.

Example: A person takes a loan of Rs 2 crore for the types of machinery. So to secure itself in the case of default by the borrower it asks for mortgaging residential flat or hypothecating jewellery, which will be termed as collateral security.

RBI has advised the banks not to obtain any collateral security in case of all priority sector advances up to Rs. 25000. In other cases, it is left to the mutual agreement of the borrower with the bank.

When collateral security is required?

Collateral security is not required in housing loan, car loan, personal loan etc. It is required by lenders in corporate loans like cash credit because in cash credit primary security such as stock and book debts can be sold any time by the borrower so an additional security in shape of immovable property or some other assets are taken to secure loan.

What are collateral free loans?

Loans that are disbursed without collateral or security, which limit the lender's exposure to risk, are called collateral free loans. This facility is provided under Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE), where micro and small enterprises can be extended loan upto Rs. 1 crore without security. This scheme was launched to solve the problem of lack of funding that these enterprises face as well as to boost their development.

Advantages

- No collateral or third party guarantee is required
- The subsidised rate of interest.
- Flexible repayment tenures up to 5 years.
- No track record required.
- Quick and hassle free processing of applications.
- Letter of credit/bill discounting up to 180 days.

Similarly, MUDRA (Micro Units Development and Refinance Agency) bank provide collateral-free financial aid up to Rs. 10 lakhs to sole proprietors or entrepreneurs carrying on Small and Medium enterprises.

Prepaid Payment Instruments - All you need to know

What are prepaid payment instruments?

Prepaid payment instruments are those which facilitate purchase of goods and services against the value stored on such instruments. Value stored

on them is paid by the holder using a medium (cash, debit card, credit card etc).
These are generally issued in the form of smart cards, mobile wallets, paper vouchers, internet accounts/wallets.

Classification of PPIs

PPIs are usually classified into 5 categories as follows:

1. Closed System Payment Instruments
   - They are usually **issued by businesses/organizations** for buying their own products or services only. These instruments do not permit cash withdrawal.
   - E.g. - Delhi Metro Prepaid card - these can be **used for their respective establishments** only.
2. Semi-Closed System Payment Instruments
   - These are redeemable at a group of **clearly identified establishments or stores** who enter into a contract with the issuer to accept that as a payment instrument.
   - Do not permit cash withdrawal.
   - E.g. - Sodexo cards are redeemable at designated stores only.
3. Semi-Open System Payment Instruments
   - These payment instruments can be used at **any card accepting point of sale terminals** for purchase of goods and services.
   - Do not permit cash withdrawals.
   - E.g. - Gift cards
4. Open System Payment Instruments
   - They can be used for purchasing goods and services and provide the **option of cash withdrawal** as well from ATMs.
   - E.g. Debit cards, Credit cards.
5. Mobile Prepaid Instruments
   - The value of talk time issued by mobile service provider can also be used to avail other '**value added services'** from them. E.g. You can use 'Airtel Money' balance to avail caller tune benefits or other packs from Airtel.

Who can issue them?

Only those entities who are incorporated in India, have a **minimum paid up capital of Rs. 5 crore** and minimum positive net worth of **Rs 1 crore** at all times are permitted to issue such instruments.They should also be in compliance with capital adequacy requirements of RBI from time to time.

Where the money collected can be used?

- For PPIs issued by **SCBs and NBFCs**, outstanding balances are a part of net time and demand liabilities for purpose of maintenance of reserve requirements.
- For PPIs issued by **other entities**, outstanding balances are to be maintained in an **escrow account (non-interest bearing)** account with any SCB.
- Entities who have been into business for **>1 year** & whose accounts have been duly audited for a full accounting year can keep their these funds in an interest bearing account. But no loan can be given against such interest bearing deposit.

Validity

All PPIs issued in the country shall have a **minimum validity period of 6 months** from date of issuance or activation.

RBI's move after Demonetization

RBI in Nov, 2016 doubled the limit of prepaid payment instruments limit to **Rs 20,000** from earlier limit of Rs 10,000 to facilitate digital transactions. Balance in such PPIs can not exceed Rs 20,000 at one point of time.

'Modi' Fact of the Day

He is one among the 4 people that Japanese PM Shinzo Abe follows on Twitter.

Debt Consolidation: All You Need to Know

Introduction

The term "Consolidate" means in general terms that 'To bring together (separate parts) into a single or unified whole.

Debt Consolidation means Combining several unsecured debts — credit cards, medical bills, personal loans etc. — into one debt bill and paying all of them with a single loan.

Debt consolidation is nothing more than a "con" because you think you have done something about the debt problem but debt is still there.

Let us take an example to understand debt consolidation. Let's say you have Rs60,000 in unsecured debt, including a two-year loan for Rs40,000 at 14%, and a four-year loan for Rs20,000 at 13%. Your monthly payment on the Rs40,000 loan is Rs1517 and Rs1583 on the Rs20,000 loan, for a total payment of Rs3,100 per month. The debt consolidation company tells you they have been able to lower your payment to Rs2640 per month and your interest rate to 10% by negotiating with your creditors and rolling the loans together into one. Sounds great, doesn't it?

Who wouldn't want to pay Rs460 less per month in payments?

Advantage of debt consolidation

1. The main advantage is that instead of writing 5–20 checks to creditors every month, you combine bills into one payment,

and write one check. This helps in eliminating mistakes that result in penalties like incorrect amount or late payments.

2. This process can result into a lower overall interest rate to the entire debt load and provide the convenience of servicing only one loan.

Types of debt consolidation

1. Debt Management Plans - Most financial experts agree that a Debt Management Plan is the preferred method of debt consolidation. DMPs are mostly managed by the non-profit organisations. Firstly, they started with a counselling session with us and try to know that how much can we pay monthly to the creditors. After that, they try to negotitate with the creditors for a lower interest rate. Now, You send one payment to the agency running the DMP and they split the payment into your creditors.Utilizing a DMP could affect your credit score. However, at the end of the 4-to-5 years process, you should be debt free, which definitely improves your credit score.

2. Debt Cosolidation Loans - A Debt Consolidation

Loan (DCL) allows you to make one payment to one creditor in place of multiple payments to multiple creditors. A debt consolidation loan should have a fixed and lower interest rate than what you were paying previously, which reduce your monthly payments and make it easier to repay your debts.

3. Debt Settlement - Where an individual's debt is negotiated to a lesser interest rate or principal with the creditors to lessen the overall burden. Debt settlement companies promise to negotiate your monthly payment with each one of your creditors for less than what you actually pay.
While this sounds fair but there are drawbacks. Many creditors refuse to bestow with debt settlement companies and debt settlements may impact a negative score on your overall credit score.

Reasons to consider debt consolidation

1. Lower interest rates
2. Convenience
3. Pay off your debt fastely
4. Scheduling.

Types of Loans which can be considered under debt consolidation are

1. House Loans
2. Educatiom loans
3. Personal loans
4. Vehicle loans
5. Credit cards
6. Small Business loans and many more.

Eligibility for debt consolidation loans

Anyone with a good credit score could qualify for a debt consolidation loan. If you do not have a good credit score, then it will be difficult for you to get the loan or whether you have to pay additional interest rate to get debt consolidation loan.

Different Types of Banking: Key Points To Know

Para Banking:

- Para banking activities are defined as those banking activities which a bank performs apart from its daily activities like withdrawal or deposit of money.
- Under para banking activities banks can undertake activities either departmentally or by setting up subsidiaries.

Narrow Banking:

- This is a type of banking in which banks invest money mostly in government bonds and securities.
- This is done to avoid risk in the market.
- Banks dedicated to such type of banking are also known as Narrow Banks.

Offshore Banking

- When a bank accepts currencies of countries abroad, such an activity is known as Offshore banking
- Sometimes people require more than their local banks can offer. In such cases they opt for Offshore banking.
- It provides financial and legal benefits like privacy and minimal taxation.

Green Banking

- Green banking promotes deployment of clean energy technologies.
- It stresses on environmental friendly practices and aims at reducing carbon footprint from banking activities.
- These activities seek to reduce costs of energy for ratepayers, private sector investments and other economic activities.

Retail Banking

- Retail banking is a type of banking in which direct dealing with the retail customers is done. This type of banking is also popularly known as consumer banking or personal banking
- Retail banking is the visible face of banking to the general public.

Wholesale Banking

- Wholesale banking can be refered to as the services provided by banks to organisations like Mortgage Brokers, corporate clients, medium scale companies, real estate developers and investors, international trade finance businesses, institutional customers (such as pension funds & government agencies) and services offered to other banks or financial institutions.

Universal Banking

- The recommendation of the concept of Universal Banking was done by the R H Khan committee.
- This is a type of banking in which banks are allowed to undertake all types of financial activities regarding banking or development in accordance with the statutory and other requirements of RBI, Government and related legal Acts.
- Universal Banking includes activities like accepting deposits, issuing credit cards, investing in securities, merchant banking, foreign exchange operations, etc.

Islamic Banking

- Islamic banking is a kind of banking activity which strictly follows the principles of the Islamic law (Sharia) and its application practically through the development in Islamic economics
- A better and more apt term for Islamic banking is Sharia Compliant Finance.

Unit Banking

- USA is where such type of banking was first introduced.
- In such a type of banking all the operations are performed from a single branch.
- A customer having an account in a specified branch has to undergo all banking activities through that branch.
- Examples are Regional Rural Banks and Local Area Banks.

Mixed Banking

- Mixed banking is a type of banking in which deposits and investment activities take place simultaneously.
- It can also be described as the dual functioning of investment banking and commercial banking.

Chain Banking:

- Chain banking is a type of banking which is a group of minimum 3 banks held together by a group of people to carry out effective banking activities.

- Instead of having a holding company the bank functions independently.
- The revenue is maximised since there is no overlap of activities.

Relationship Banking

- In such a type of banking the the major needs of the customers are understood by the bank and accordingly banking services are provided to the individual.

- Banks get to know if the customer is credit worthy since they have to gather information about its customers.

Correspondent Banking

- In more than 200 countries, this type of banking is prevalent and is considered the most profitable way of doing business.
- In such a type of banking, the bank does not have a physical presence or any limitations in the permission of operations.
- It acts as a banking agent for a home bank.

NABARD : Important Facts

Introduction

- "NABARD" means 'National Bank for Agriculture and Rural Development'.
- NABARD is an apex level bank set up by GOI(Government of India) with an instruction of providing credit flow for the promotion and development of agriculture, cottage, village and other small scale industries in the country.
- It is not a wholly own subsidiary of RBI now because RBI sold 99% of its stake to GOI.
- Its headquarter is in Mumbai, India.
- It has 336 district offices across the country.
- Chairman of NABARD is Dr. Harsh Kumar Bhanwala.

History of NABARD

- On 30th march 1979, GOI and RBI constituted a committee under the Chairmanship of Shri B.Sivaraman to review the arrangements for institutional credit for agriculture and rural development (CRAFICARD).
- The Sivaraman committee submitted a report on 28th november 1979 stated that there is a need for a new institution which will cater the supply of credit flow for the development of rural area.
- Through Act,61 of 1981, The Parliament approved the setting up of NABARD and NABARD came into the existence on 12th July 1982.
- NABARD was initially started with an amount of Rs100 crore.

Mission

- Promote sustainable and equitable agriculture and rural prosperity through effective credit support, related services, institution development and other innovative initiatives

Role

- The main role of NABARD is to provide and manage credit flow for the development of the rural area.

Types of loans provided by NABARD

Short term loans

These types of loans are provided for production purposes at reduced rate of interest to the RRBs(Regional Rural Banks) and SCBs(State Cooperative Banks). Then RRBs and SCBs provide the credit as loans to the needy ones for different purposes such as:

- Seasonal agricultural operations
- Marketing of crops
- Fisheries Sectors
- Industrial Cooperative Societies (other than weavers)
- Purchases, Stocking and Distribution of Chemical Fertilisers and other Agricultural Inputs.

Medium term loans

- These types of loans are generally the extended period of short term loans. When crops are damaged, the banks give them extra period of time for re-payment of loans.

Long term loans

- These types of loans are generally for the period of 3-15 years. These loans are generally taken by small scale industries, non farm sector, handicrafts, handlooms, powerlooms etc.

Eligible institutions for refinancing the long term loans are:

- RRBs
- SCBs
- Commercial Banks (CBs)
- State Co-operative Agriculture & Rural Development Banks (SCARDBs)
- Non-Banking Financial Companies (NBFCs)
- State Agricultural Development Finance Companies (ADFCs)
- Scheduled Primary Urban Co-operative Banks (PUCBs)
- North East Development Finance Corporation (NEDFC).

Quick Facts

Name of organisation	NABARD(National Bank for Agriculture and Rural Development

Function	Manage and provide credit flow for the development of rural areas.
Founded on	12th July 1982
No of district offices	336
Website	www.nabard.org
Chairman	Dr. Harsh Kumar Bhanwala

Business of Banking Companies in Banking Regulation Act, 1949

Introduction

The banking and regulations act was enacted to safeguard the interest of the depositors and to control the abuse of powers by controlling the banks by any means necessary and to the interest of Indian economy in general. There are many provisions of banking regulation act 1949 and we are going to the topic about business of banking companies.

Objectives of Banking Regulation Act 1949

- The provision of the Indian Companies Act 1913 was found inadequate and unsatisfactory to regulate banking companies in India. Therefore a need was felt to have a specific legislation having comprehensive coverage on banking business in India.
- Due to inadequacy of capital many banks failed and hence prescribing a minimum capital requirement was felt necessary. The banking regulation act brought in certain minimum capital requirements for banks.
- One of the key objectives of this act was to avoid cut throat competition among banking companies. The act was regulated the opening of branches and changing location of existing branches.
- To prevent indiscriminate opening of new branches and ensure balanced development of banking companies by system of licensing.
- Assign power to RBI to appoint, reappoint and removal of chairman, director and officers of the banks. This could ensure the smooth and efficient functioning of banks in India.
- To protect the interest of depositors and public at large by incorporating certain provisions, viz. prescribing cash reserve and liquidity reserve ratios. This enable bank to meet demand depositors.
- Provider compulsory amalgamation of weaker banks with senior banks, and thereby strengthens the banking system in India.

- Introduce few provisions to restrict foreign banks in investing funds of Indian depositors outside India.
- Provide quick and easy liquidation of banks when they are unable to continue further or amalgamate with other banks.

This act applies to the following categories of banks

- Nationalized banks
- Non-nationalized banks
- Co-operative banks in the manner and to the extent specified in the act

Business of banking companies

- In banking regulation act 1949, section 6 it provides a list of activities which a banking company may engage in the business of banking. The Main functions are as follows
- Acting as agents for any Government or local authority or any other person carrying the agency's business of any description but excluding of the managing agent or secretary and treasurer of a company.
- Managing the public loan and private loan and solving issues respectively.
- The insuring, guaranteeing, underwriting, participating in managing and carrying out of any issue public or private of the State municipal or other loans or of shares, stock, debentures, stock of any company, corporation or association and the lending of money for any purpose
- May carrying on every kind of guarantee business.
- Managing, selling and realizing any property which may come into the possession of the company in satisfaction in any of its claims.
- Can acquire, hold and deal with any property or any right, title or interest in any such property which may form the security for any loan or advance which may be connected to any of that security.
- Undertaking and executing trusts.
- Undertaking the administration of estates as executor, trustee.
- Establishing and supporting of associations, institutions, funds, trusts and conveniences calculated to benefit employees or ex-employees of the company.
- The acquisition, construction, maintenance and alteration of any building or works necessary for the purposes of the company.
- Selling, improving, managing, developing, exchanging, leasing, mortgaging, disposing of or turning into account or otherwise dealing with the property and rights of the company.
- Acquiring and undertaking the whole or part of the business of any person or a company, when such business is of a nature enumerated or described in the act.
- Doing all these things as are incidental or conducive to the advancement of the business of the company.
- Any other form of business which the Central Government fixed in the Official Gazette, and specified as a form of business in which it is lawful for a banking company to engage.

The above list of activities is exhaustive but not comprehensive. There are several kinds of services listed above both under main business as well as ancillary business, some are agency services and general utility services

Agency Services

- Carrying and transacting guarantee business on behalf of its clients, collection of bills, securities etc. purchasing and selling of shares, bonds, debenture, etc. on behalf of constituents negotiating of loans and advances, mail transfer etc. and many more agency services are grouped as follows
- Non-fund Business
- Collection of instruments and securities on behalf of customers
- Portfolio Management or Merchant Banking
- Facility of remittance of funds
- Money Exchange business as Authorized dealer under foreign exchange business
- Other agency business on behalf of Government or local body
- Factoring Services
- Special Purpose Vehicle(SPV) services for securitization of assets under securitization and reconstruction of Financial assets and Enforcement of security interest act
- Collection of taxes on behalf of the people
- Collection of different dues of the people like telephone, electricity, municipal taxes

General Utility Services

- Providing Safe-custody facility to its customers for keeping their valuables
- Providing the facility of Safe deposit vault under lease agreement to its customers for keeping their valuables
- Technology based utility services like Tele-banking, Mobile banking, Online banking, DEMAT services for securities trading, ATM services, etc.

Consultancy services

- ECS services for payment of different dues of the people
- Payment of pension
- Payment of salaries of the employees

Conclusion

Some of the activities mentioned both under agency services and general utility services are of new generation activities particularly after reforms in the financial sector and growing adoption of technology-based banking. These are the important facts that are given in the 6th section of banking and regulations act 1949 regarding Business of banking companies.

GAAR-General Anti-Avoidance Rules: Explained With Examples

Introduction

General Anti-Avoidance Rule (GAAR) is an anti-tax avoidance regulation of India. It was introduced by then Finance Minister, Pranab Mukherjee, on 16 March 2012 during the Budget session.

Tax Avoidance

Avoidance means nothing but an attempt to reduce the tax liability through the legal means.

The difference between Tax Avoidance and Tax Evasion

Evasion & Avoidance are two different entities. In

Avoidance, tax reduction is done legally but in evasion, it is done illegally.

GAAR in simple terms

Tax Avoidance is one of the major concerns across the world. Different countries framed different rules to minimise such tax avoidance. Such rules in simple terms are known as General Anti-Avoidance Rule (GAAR).Thus GAAR is nothing but the set of rules ratified so as to check the avoidance of tax.

History of GAAR in INDIA

- In India, the actual discussions started on 12th-Aug-2009, when the draft of Direct Taxes code Bill (DTC) released.

Some of the recent developments about GAAR are

- On 16th-Mar-2012: Finance Minister, Pranab Mukherjee takes a tough decision & announces that the government will curb on tax avoidance effective from the fiscal year 2012-13.
- On7th–May-2012: Finance Minister, Pranab Mukherjee forced to change his opinion and agreed to defer GAAR by a year as his announcements spooked oversea investors.
- On 28th-Jun- 2012: Finance Ministry releases the first draft on GAAR, there was the wide criticism of the provisions.
- On 14th-Jul-2012: PM, Manmohan Singh, formed a review committee under Parthasarathi Shome, for preparing a second draft by 31st August and final guidelines by 30th September 2012.
- On 1st-sept- 2012: Shome Committee recommends to defer GAAR by three years.
- On 14th-Jan-2013: Govt. of India partially accepts the recommendations of Shome Committee and has decided to defer the same for 2 years and will now be effective from the year 2016-17.
- On 27th-sept-2013, as per the notification issued by Govt. of India, GAAR would be valid for foreign institutional investors that have not taken the benefit of an agreement under Section 90 or Section 90A of the I-T Act or Double Taxation Avoidance Agreement (DTAA).

Thus

- GAAR will not be applicable for the investments made by foreign investors prior to Aug-2010
- GAAR provisions that will come into effect from April 2016 and
- apply only to business arrangements with a tax benefit exceeding Rs3 crores.

Some recommendations of Parthasarathi Shome panel

- Defer implementation of GAAR by 3 years.
- The threshold of tax benefit is Rs.3 crores & additional with changes in 1962 Income Tax Rules.
- Mauritius Issue- GAAR should not appeal to inspect the realness of the residency FII from Mauritius. The government should hold the provisions of the CBDT circular that was issued in the year 2000 on acceptance of TRC (Tax Residence Certificate) issued by Mauritius government.
- The Approving panel is Five-member committee, two members must be non-

government persons & of renown from the fields of Accountancy, Business or Economics.

- The other two members must be chief commissioners of IT dept., chaired by a retired High court judge.

Two Examples to Understand GAAR provisions:

Example -1

Facts:

A choice made by a company between leasing an asset and purchasing the same asset. The company would claim a deduction for leasing rentals rather than depreciation if it had their own asset. Would the lease rent payment be disallowed as an expense under GAAR?

Interpretation:

GAAR provisions, would not, prima facie, apply to a decision of leasing (as against purchase of an asset). However, if it is a case of circular leasing, i.e. the taxpayer leases out an asset and through various sub-leases, takes it back on lease, thus creating a tax benefit without any change in economic substance, Revenue would examine the matter for invoking GAAR provisions.

Example -2

Facts:

`A` company borrowed money from a company `B` and used that to buy shares in three 100% subsidiary companies of `A`. Though the fair market value of the shares was Rs. Y, `A` paid Rs. 6Y for each share. The amount received by the said subsidiary companies was transferred back to another company connected to `B`. The said shares were sold by „A" for Rs. Y/5 each and a short-term capital loss was claimed and this was set-off against other long-term capital gains.

Interpretation:

By the above arrangement, the taxpayer has obtained a tax benefit and created rights or obligations which are not ordinarily created between persons dealing at arm's length. Revenue would invoke GAAR with regard to this arrangement.

(Examples Credit: Source GAAR Committee)

Skill Banks: All You Need To Know

Introduction

- Skill banks are training centres to provide training to potential immigrant workers
- Skill Banks are established first in the states of U.P and Bihar
- U.P and Bihar account for the maximum emigrants annually in India
- These two states have the maximum number of employees working abroad
- Also these states have the maximum population

- The training program is of international standards
- Skill banks cover about 110 job roles
- 50 global skill banks are set up by GOI in 2016

Objectives of Skill Banks

- The primary objective of skill banks is to train workers for global markets
- To project India as the capital of Human resources in the world

Main focus countries of Skill banks

- South East Asia
- Norway
- Germany
- Canada
- Sweden
- Japan
- The above countries will have huge dearth of nurses and care givers in the next decade
- Skill banks focus on these countries for job opportunities and train people according to the requirement

Key sectors covered by Skill Banks

- Health care
- Medicine
- IT
- Hospitality
- Retail trade
- Automobile

Other sectors are likely to be included in the skill development training program of skill banks where job opportunities may emerge in future

Special features of skill banks

- Youth trained in skill banks get acquainted with the local culture of the country in which they go to work
- Before emigration, trainees are made familiar with language and work ethics of the foreign nation
- Training at the skill banks is demand driven
- If the requirement in a gulf nation is for 1000 mason workers, then skill banks will train 1000 masons and send them to the respective nation
- This ensures that majority of the persons trained in skill banks will be sent abroad as it is demand-based
- Skill banks train the workers and certify them
- Skill banks ensure that the employee gets good working conditions abroad
- The trainees get a better salary abroad after attending the training program and sent abroad

Conclusion

- Skill banks help people go abroad and work in a safe manner
- Workers sent abroad through skill banks will have the support of GOI
- All migration-related issues and frauds by consultancies will not occur once workers are trained and sent abroad through skill banks
- Rural poor and unaware people can completely trust the skill banks for their overseas job opportunities
- Skill banks help in identifying the requirements arising abroad in various nations and match the requirements with the employees in India through skill training programs

Prevention of Money Laundering Act 2002: Explained

Introduction

The purpose of a large number of criminal minds is to make profit or money for themselves or for any criminal organisation. Money laundering is the simplest way for these criminal to hide their illegal origin.Selling illegal arms, smuggling, drug trafficking, and other illegal activities can generate large amounts of money. Stealing Money through Fraud Way, accepting a bribe and doing computer fraud for some benefits can also produce huge profits and so this all fraud individual use Money Laundering to make their activities authorised. Because the Money which is generated by the illegal way is dangerous and can not be used directly so to make it happen Money Laundering is the process of conversation of such illegal activities to make it appear like authorised or legal.

Simply it is the process of engaging in specific Financial transactions to hide the identity, Process source and destination of money.

Money Laundering

The process of Money Laundering contains following stages.

Placement

The person who has the Money which is generated by illegal or fraud activities introduces such unauthorised funds into the Financial System by depositing smaller number of amounts in the Bank by using cheques or another instrument. In this stage the main work of the money launderer is the entry of his fund.

Layering

Now the second stage of Money Laundering is the layering. In this stage, the Money Launderer finds the unique way for transaction by creation of complex network In which he uses lots of different account so as to hide his true origin.He uses another person's account to place his money safe.

Integration

After successful placing of his criminal money through first two stages then money launderer uses such funds in the business, real estate, and in some other assets.Also then authorized money transferred or returned to the source where it has been originated.

The above stages always not work line by line sometimes illegal money gets mixed with authorized money like in the business of gambling nobody knows the source of money but after the gambling it becomes authorized for that individual.

Anti Money Laundering Act

In India, the Anti Money Laundering measures are controlled by using the Prevention of Money Laundering Act, 2002 which was introduced got working from 1st July 2005. RBI, SEBI and IRDA have introduced it under the PML Act, and hence it will be now applicable to all financial institutions, banks, mutual funds, insurance companies, and other financial agencies.The agency which is responsible for monitoring the Anti Money Laundering activities in India is called Financial Intelligence Unit (FIU IND) .It works under Department of Revenue, Ministry of Finance which analyses all the information related to person who is suspect.

Indian Government's Steps To Fight Against Money Laundering

- Government of India is doing best to fight against the threat of Money Laundering and so for that India has signed the rules with the following UN Conventions, which deal with Anti Money Laundering and Countering the Financing of Terrorism :
- International Convention for the Suppression of the Financing of Terrorism (1999).
- UN Convention against Transnational Organized Crime (2000).
- UN Convention against Corruption (2003).
- Under the special session held by United Nations General Assembly (UNGASS) during 8th to 10th June 1998 all the members of this group have to adopt the Anti Money Laundering Legislation & Programme and for that they have made act called 'Prevention Of Money Laundering Act 2002'.
- This Act has been again amended for enlarging its scope of money laundering, in 2009 by the law of Prevention of Money Laundering (Amendment) Act 2009. This Act was again further amended by Prevention of Money-Laundering (Amendment) Act 2012.

International response to Fight against Money Laundering

- Financial Action Task Force (FATF) is a government body which is established and introduced in 1989 by the initiative of G7 group.
- The main objectives of FATF are to regulate the effective implementation for fighting against money laundering, terrorist Financial activities and other problems related to the international financial system.
- Freezing terrorist assets , establishing Financial intelligence unit for collection , evaluation and find suspicious transactions reports from Financial institution are the functions of FATF.
- Indian is one of the active member of this FATF group.

Offence of Money Laundering

- Offence of money laundering has been defined in the section 3 of the Prevention Of Money laundering Act.
- Any person who is directly or indirectly attempts to become the part of the such illigal activity shall be guilty according to the offence of money laundering.

Actions taken against persons involved in Money Laundering

- Under the section 17 and section 18 of Money laundering Act freezing of all unauthorised property and records takes place.
- Persons who committed this crime and found responsible according to offence of money are punishable to put in the prison for three years which may be extended upto seven years and also that person have to pay fine under the section 4 of money laundering act.
- If the offence committed is under the Narcotics and Psychotropic Substance Act

1985 then in that case the guilty person gets three years of prison which can be extended upto ten years and also that person have to pay fine.

Conclusion

After all this prevention and lots of rules and regulations by Government there are some people who are not stopping and that's why India is listed among the six countries which are actively monitored by the INTERPOL and other International banking agencies.

Difference Between Regional Rural Banks and Corporative Banks

Introduction

The banks which are present in India are divided into 3 major groups namely, Central Bank (RBI), Scheduled Banks & Non-Scheduled Banks. This means other than RBI, every bank will be either a scheduled bank or a non-scheduled bank. Based on the functions, there are five categories of Banks in India viz. Central Bank (RBI), Commercial Banks, Development Banks, and Cooperative Banks & Specialized Banks.
Further Scheduled banks are classified into scheduled commercial banks & scheduled cooperative banks. The basic difference b/w them are in their holding pattern. Regional Rural Banks comes under scheduled commercial banks.

Regional Rural Banks

RRBs were established in 1975 under the provisions of the ordinance promulgated on 26th-sept-1975. Every RRB is owned by 3 entities with their respective shares as follows:
Central Government -50%
State government-15%
Sponsor bank -35%

Difference Between RRB and Corporative Banks

- **Ownership** – They are maintained by 3 different bodies as mentioned above.
- **Regulation**- They are regulated by NABARD, which is a subsidiary of RBI.Other banks in India are directly regulated by RBI.
- **Statutory Background** –These banks have a distinct law behind them viz. Regional Rural Banks Act, 1976.
- **Statutory pre-emptions** – RRBs need not maintain CRR (Cash Reserve Ratio) & SLR (Statutory liquidity ratio) like any other banks.

Reasons for establishing the RRBs:-

Even after nationalisation, there were cultural concerns which made it difficult for commercial banks even under the ownership of government, to lend to farmers. So Regional Rural Banks were started to work in rural perspectives & they can lend to more & more farmers, who are in real need of money. To provide them constitutional background, a separate act was passed.

Various problems of RRBs:-

RRBs were considered as a low-cost organisation having a rural philosophy, local touch & pro-poor focus. Each bank was to be funded by a ‘Public

Sector Bank' (PSU), though; they were planned as the self-sustaining credit institutions which were able to refinance their core resources in themselves & were expected from the statutory pre-emptions. There were 196 RRBs in India in1990.This has reduced to 56 (as of mar-2014) after mergers & amalgamations.

Current government's policy:-

The Modi govt. has put the hold on further mergers of the RRBs. The government is focusing on improving the performance of RRBs & to explore new opportunities in the same. At present, there is a bill pending to make some amendments in the RRB act which is aiming to increase the pool of investors to tap capital for RRBs.

COOPERATIVE BANKING

A cooperative bank is jointly owned enterprise in which same people are its customers who are also its owners. Therefore, the basic difference b/w scheduled commercial banks & a scheduled cooperative bank is in their holding pattern. These are registered under Cooperative societies Act. The cooperative banks work agreeing to the principles of mutual assistance.

These cooperative structures are one of the largest networks in the world comprising of more than 200million members.

History

Hermann Schulze & Friedrich Wilhelm Raiffeisen gave the idea of cooperative banking for the first time. In India, the history of cooperatives begins from 1904 when the cooperative credit societies act, 1904 led to the formation of societies in both rural & urban zones. The act was recommended by Sir Friedrich Nicholson (1899) & Sir Edward Law (1901).The cooperative societies act of 1912, further gave recognition to the formation of non-credit societies & the central cooperative organisations.

Extent of Cooperative Banking in India

Further, it is divided into 2 broad categories namely, Urban Cooperative Banks & Rural Cooperative Banks.

Urban cooperatives have been further divided into scheduled & non-scheduled. Both categories are again divided into multi-state & single-state. The majority of these comes under no- scheduled & single-state category. All the activities of urban cooperatives are monitored by RBI.whereas; it is regulated by RBI & NABARD for rural cooperative banks.

Significant features of Cooperative Banking in India:-

These are small financial institutions governed by Banking Regulations Act,1949 & Banking Laws cooperative Societies Act, 1965

Owned by its members

Involved in community development

Bringing banking to the doorstep of the lowest section of the society

Profits obtained will be combined to form some reserves while some amount is distributed to members.

Some sections of banking regulation act are not applicable to cooperative banks

Problems faced by Cooperative Banks in India:-

The state partnership has resulted in excessive state control & interference. Inactive membership has made them declining as there is the lack of dynamic

& professional attitude. Credit retrieval is weak, especially in rural areas.

Base Rate and Differential Rate of Interest: Explained

BASE RATE

INTRODUCTION

Base rate is the minimum rate set by Reserve Bank of India below which banks are not allowed to lend to its customers.

DESCRIPTION

- RBI prescribed the minimum rate of interest on loans with effect from Oct 1, 1960
- On recommendations of Working Group (Chairman : Deepak Mohanty) RBI decided that banks should switch over to Base Rate system from July 1, 2010 for enhancing transparency in lending rates and enables better assessment of transmission of monetary policy.
- RBI replaced the bases system with Marginal Cost Based Lending Rate (MCLR) with effect from April 1, 2016

MARGINAL COST BASED LENDING RATE

RBI introduced MCLR to determine Base Rate by banks to improve the efficiency of monetary policy transmission.

INTERNAL BENCHMARK

All rupee loans sanctioned and credit limits to be priced with MCLR. It will be internal benchmark
The MCLR comprises of
Marginal cost of funds
Negative carry on account of CRR
Operating Cost

Tenor premium

SPREAD

Banks should have policy delineating the components of spread which include a) Business strategy b) Credit risk premium.
The spread charged to an existing borrower should be increased except on account of deterioration in the credit risk profile of the customer.

INTEREST RATES ON LOANS

Actual lending rates will be determined by adding components of spread to MCLR. There will be no lending below the MCLR of a particular maturity.

EXEMPTIONS FROM MCLR

- Loans under schemes of the government of India wherein banks have to change interest rates as per the scheme
- Working Capital Term Loan, funded interest term loan etc. as part of rectification/ restructuring package.
- Loans under various refinance schemes of government of India or any government
- Undertakings wherein banks charge interest at the rates prescribed under the schemes

REVIEW OF MCLR

Banks shall review and publish their MCLR of different maturities every month

RESET OF INTEREST RATES

Banks can offer loans with reset dates linked either to the date of sanction of the loan/credit limits or to the date of review of MCLR

The periodicity of reset shall be one year or lower

DIFFERENTIAL RATE OF INTEREST

ELIGIBILITY

- Individuals whose family income does not exceed Rs. 18000 per annum in Rural areas and Rs. 24000 per annum in Urban and Semi Urban Areas
- Individual whose land holding does not exceed 1 acre of irrigated and 2.5 acres of un-irrigated land
- No ceiling for SC/ST engaged in allied activities
- People engaged in Cottage and Rural industries
- Physically handicapped pursuing gainful occupation
- Orphanages and women's home
- State owned corporations /cooperative societies including State corporations for supreme Court / ST's /co-operative societies, large sized Adivasi Multipurpose Co-operative Societies for Tribal areas

PURPOSE OF LOAN

For productive Activities, pursuing higher, education by indigent students, purchase of artificial limbs, hearing aids, wheel chair by physically handicapped.

AMOUNT

Maximum Rs. 15000, for physically handicapped additional loan Rs. 5000 for artificial limbs / Braille typewriter. Loan up to Rs. 20000 for housing to SC/ST and under INDIRA AWAS YOJANA

TARGET

- Minimum 40% to SC/ST beneficiaries
- 2/3rd to be routed through rural and semi-urban branches

CLASSIFICATION - Weaker Section advances

SUBSIDY / MARGIN - No subsidy. No Margin

SECURITY

- Hypothecation of assets created out of bank loan
- No collateral security

REPAYMENT

Depending upon income generated maximum of 5 years including grace period up to 2 years depending upon the type of activity and income generation

Letter of Credit- Explained

INTRODUCTION

The letter of credit is one of the negotiable instrument. It is given by the bank, that guarantee's buyer's payment to the seller shall be received on time along with the proposed amount to be paid. In this instinct, if the buyer is unable to make the agreed payment to the seller, then the bank will cover the full or remaining amount of purchase.

NEED FOR LETTER OF CREDIT

In case of international dealings, many factors such as distance, duration, various law enforcing agencies and complexities in knowing the trading party in person and therefore, In international dealings letter of credit would be of great importance and key player in assurance to the beneficiary.

THE WORKING

- The sales contract shall be negotiated between the trading parties and letter of credit would be agreed as a method of payment to the beneficiary (the one who is paid by the nominated bank).
- Once the contract is finalised, the applicant will ask the bank for a letter of credit to be issued to the beneficiary for the payment of agreed amount on trade.
- As the beneficiary receives the "LOC" he checks the actual terms of the contract made with the trader on shipment of goods and shipment is made to the applicant.
- After the shipment of goods, the beneficiary will be presenting the requested documents to the nominated bank for payment.
- The bank checks for the authenticity as per the contract and shall cancel the "LOC" or can be considered as discrepant if found contradictory with the terms and will ask the beneficiary to submit the corrected documents within the time specified in credit for the payment.

DOCUMENTS TO BE PRESENTED

- Bill of exchange
- Invoice, packaging list
- Logistics bills
- License and permits
- Insurance policies

TYPES OF LOC

- **Import/export letter of credit**- In this the importer will be a buyer and exporter would be a beneficiary.
- **Revocable letter of credit** -It can be changed anytime by buyer or issuing bank without any prior notification to the beneficiary.
- **Irrevocable letter of credit**-Here the change can be done only by the issuing bank after approval given by the beneficiary alone.
- **Transferable letter of credit**- It is used when beneficiary involved are one or more suppliers in which beneficiary will be presenting the documents for part of his payment.
- **Non-Transferable letter of credit**- It is non-transferrable to the third parties/others who are not part of the payments.

RISK FACTORS

- Frauds through forged documents.
- High level of regulatory risk because of various government agencies involved in the transaction.
- Failure of issuing or collecting banks.
- Beneficiary risks like delayed payments from the nominated or issuing banks.

Clean Note Policy of RBI: All You Need To Know

Introduction

Lots of people in our country have a bad habit of writing anything on the currency note, folding currency note, also somebody staple it which spoils the Note and reduces notes durability.
So to avoid such occurrences RBI introduced the Clean Note Policy in 2001 in an order to increase the life of currency notes.

Objectives

- The main objective of this Clean Note Policy is to provide good quality currency notes and coins to the citizens of our country.
- Also, the objective of this policy is to avoid the circulation of spoiled notes in the economy.

Guidelines

- According to this policy packets of notes are not stapled with a pin while the banding of such packets should be done by paper or polyethene bands so as to increase the life of the currency notes.The note packets can also be binded by rubber bands in order to minimise the damage of currency notes.
- Banks should sort the notes in two parts like re-issuable and non-issuable.
- RBI instructed all the banks to circulate good quality notes to the public and do not circulate spoiled notes in the counters of bank which they have received from people.
- Banks are instructed to provide clean currency in exchange of spoiled notes.
- RBI also provided the guideline for citizens of a country which says that avoid spoiling notes by oil, water etc . Do not write anything on the currency notes.
- According to RBI, the clear objective of providing good clean quality notes to public by the banks is provided under the section 35A of banking regulations act 1949 and if the bank does not follow this then that bank may be punishable and the license of such bank can be cancelled.

Initiative By RBI

- To stop such spoiled currency RBI developed Currency Verification and Processing System (CVPS) to speed up this process.This system is installed in the various offices of RBI. In this System have a watermark feature in which if something is written on watermark then this machine automatically rejects such note.
- This CVPS machine is capable of processing about 50,000 to 60,000 pieces of spoiled notes per hour.
- This machine sorts the notes which are in good or bad condition.The bad condition notes are shredded online and the notes which are in good condition are banded into packets for reissue.
- RBI installed 42 such machines in the Currency issue offices.

Conclusion

- Now it has been almost 16 years since this Clean Note Policy was issued by the RBI but still the objective of this policy are not realised but there are some improvements in the banks which are not stapling notes, providing quality notes, exchanging spoiled notes.

- Clean Note Policy has been implemented almost with all aspects only some people due to lack of awareness are ruining this policy.

INX: India's First International Stock Exchange: Key Points

Introduction

January 9, 2017, brought a great day for Indian Market as Prime Minister Narendra Modi gifted India its first International Stock Exchange Market. This initiative of GOI has taken India a step ahead in the global stock market and it was a proud moment for all the Indian. In this article we will discuss the key points of INX because in the upcoming bank exams this will be the hot topic for discussion and one or two objective type questions will be surely based on INX.

Features of INX

1. Speed

It is world's fastest stock exchange in terms of response. The highly advanced technology based stock exchange will work on four microsecond response time.

2. Working Hours

To match the pace of global economy and stock market, INX will remain open for 22 hours a day.

The stock exchange will open at 4 am and will close at 2 am. This time span is matched with Japan and US's stock exchange time. Japan Stock exchange open at 4 am according to Indian time and US Stock exchange closes at 2 am according to Indian time.

3. Investment Targets

Bombay Stock Exchange has kept the target of investing 500 crores in the market within three years.

4. Employees

To function perfectly, the staff of BSE has relocated to Gujrat. 100 BSE employees have shifted to INX. There is a team of local and foreign personnel too.

5. Trading

INX will trade in securities and products along with Indian Rupee. It will indulge in the trading of equity shares of companies incorporated outside India, depository receipts, debt securities, currency and interest rate derivatives, index-based derivatives, commodity derivatives. For the first six months, it will offer only derivative products.

6. Security

To prevent money laundering and to manage risks and money manipulation, INX has a robust security system.

Tax Benefits

- The people who will invest via INX will get following tax benefits
- No income tax for fixed time span
- Low commodity transaction tax
- Beneficial for dividend distribution tax
- Renunciation in long-term capital tax
- Beneficial in Security Transaction tax

FAST FACTS FOR QUICK REVISION

Launched on	**January 9, 2017**
Launched by	Narendra Modi
Situated in	Gandhinagar, Gujrat
Situated at	Gujarat International Finance-Tec (GIFT) City
Working hours	4 am- 2 am (22 hours)
Response Time	4 microsecond (fastest in the world)
Investment	500 crores in 3 years
Products	Derivative Products: equity, currency 7 commodity
Tax Benefits for	transaction tax, distribution tax capital tax
Income Tax	No income tax for three years

Blockchain System: All You Must Know

Introduction

- These days the transactions in the banking sector is becoming a very tedious task and so as to ensure that this tedious task to be removed, our banking sector is trying to emerge towards block chain technology. To simplify the transactions without the help of any third party in a secure manner is really a great challenge, but to overcome this challenge an anonymous online ledger (collection of financial accounts) which uses the data structure to simplify it is called block chain technology.
- We can still see what comes in and gets out, and to whom. But now all these information's are present in the form of a digital format at one particular place. In banks we see physical financial collections, now we can get rid of it, and we can keep the records directly in block chain as it is framed even for record keeping.
- As mentioned about the block chain system that it is an anonymous part which protects the identities of the user. So, by this, it is very clear that the transactions will be done in a more secured manner. A bank's ledger is connected to a centralised network.

Working:

- Blockchain is a distributed database which takes in a number of inputs and they try to place them in a block. There will be blocks lined and each block is said to be chained to another block using a cryptographic signature. This ensures that block chains used as a ledger are accessed by anyone provided if he has the permission to seek the details.

How is it Unique?

- For any transaction to be done we need to have a reconciliation so as to ensure that the transaction is done in a genuine way. Every time having a reconciliation is a tougher task to ensure that the transactions are done in a smoother manner.
- To eradicate this problem block chain built applications will play a key role by not allowing reconciliation of any transactions as all the information will be readily available and verification will be done to see that if anyone is a part of particular block chain ecosystem.

Example

- A person X wants to send his money to a person Y. So, here we have lender and beneficiary. Once the deal is sealed, in the block chain world this transaction gets recorded with all important details such as date, transaction value and the names also will be recorded. Next time when they want to repeat the process they wouldn't face any problems as their data is already stored in it. It is a decentralised ledger, and all the system numbers can store the information. Verifications by any intermediaries are not required at all.

Why are banks interested?

- As we are in the digital era and even our country is advancing towards digital India and cashless society so we need to adopt good technologies so as to be in the forefront in terms of competition with the entire world.
- The first Indian bank to complete the block chain transaction successfully was ICICI bank. Even all major banks are also trying to implement this block chain system as it will be really beneficial for all sort of money transfers and for storing the records.
- In banks, we see a lot of hectic work is done by just making more paper-intensive works, but now this block chain application will just replicate this paper-intensive work into an electronic decentralised ledger which enables all participators the ability to access a single source of information. We can track any documents easily and we can validate ownership of assets digitally, by not allowing any changes in the real time.
- Block chain mechanism is to create a core banking platform. This technology is being developed by the Indian IT service providers like TCS and INFOSYS.

Advantages:

- Block chain technology validates each and every transaction which makes it more secure and reliable.
- The technology is decentralised and if any third party tries to enter he wouldn't get any chance as it will discard off in peer-to-peer transactions.
- Block chain technology is a cost-saving factor for banks as manual intervention is not required for reconciliation purposes. It is basically done by intermediaries but now with the help of block chain, there is no need of any manual interventions.

- This technology is cryptographically encrypted with our digital signatures and it is difficult to hack into. If in case there is any fraudulent transactions every node of it can detect it and it will deny the proceedings.
- A lot amount of aggressiveness is amounted in banks by looking at block chain technology. The banks can keep a track of debit and credit data. Even, in the forex market, the back office of the respective banks they need to speak with the back office of another bank which is said to be a tedious process. In this case block chain technology will play a pivotal role as it doesn't support any back office, so automatically back offices will be eliminated in the banking sector.

Huge Potential

- Banks tend to invest a lot of time in moving money, thus creating a problem, whereas the blockchain technology can free up the movement of money, instead of leaving it clogged in slow banking. It's very secure and till now no blockchain technology has never been hacked successfully. Transaction process will also become easy by this technology and in the same way, tracking also will become easy. It will play a crucial role particularly with bonds and stocks as banks spend a lot of money and time on tracking it.

Conclusion

Block chain technology will be a huge benefitting factor to the banking sector and even this technology is not limited to only this sector but rather, it can be used even in many other areas also. There will be no human intervention at all if we adopt block chain technology as it will verify all the transactions solely. The block chain architecture can significantly bring down the costs and even it can reduce the inefficiencies in the financial sector.

Depositor Education and Awareness Fund (DEAF) Scheme

Introduction

Depositor Education and Awareness Fund Scheme was established in 2014 and was inserted in the Banking Regulation Act, 1949 empowering the central bank. All banks are required to transfer money lying in accounts that have been inoperative for at least 10 years to the DEAF according to specific guidelines. As per the latest announcement, banks have to list out inoperative accounts every month and transfer funds lying in these accounts along with interest accrued, by the end of the each month.

Accounts involved in DEAF

- Inoperative accounts with banks include savings bank accounts, term deposits, recurring accounts, current deposit accounts, various forms of transfers such as telegraphic or mail, demand drafts, pay orders, unadjusted National Electronic Fund Transfer (NEFT) balances. A bank had to transfer entire amount to the DEAF as specified including the accrued interest that the bank would have been required to pay to the customer or depositor as on the date of transfer to the Fund. If anything present in the Banking

Company Rules is not followed then banks shall preserve records/documents containing details of all accounts and transactions, including deposit accounts in respect of which amounts are required to be credited to the DEAF permanently.

Refund of DEAF

- RBI will call for all information that are required which is related to an account or deposit or transaction for which a claim for refund has been submitted by a bank. Any amount payable in foreign currency under an instrument at the time of transfer to the DEAF be converted into Indian Rupees at the exchange rate prevailing on that date and in the event of a claim, the DEAF shall be liable to refund only the Indian Rupees received with respect to instructions.
- If any amount that are credited permanently and for those amount where refund has been claimed from the DEAF, banks shall preserve records/documents in respect of such accounts and transactions, for a period of at least five years from the date of refund.
- The Fund shall be utilized for promotion of depositor's interest and for other purposes are specified from time to time by RBI.
- The depositor would, however, be entitled to claim from the bank his deposit or operate his account after the expiry of ten years, even after the unclaimed deposit funds have been transferred to DEAF.
- The bank would be liable to pay the deposit amount to the depositor and claim refund of such amount from the DEAF.
- The RBI would appoint an authority or a committee to administer the DEAF, and to maintain separate accounts and other relevant records in relation to the DEAF, which would be specified by RBI.

Committee and its functions

- The DEAF will be managed by a committee headed by a deputy governor of the RBI and will have six members. The committee's role is to decide how the amount has to be utilized and the primary aim to undertake educational initiatives for customers. The initiatives include information-sharing seminars or research projects related to banking. The committee will also advise the RBI on the rate of interest that should be paid to depositing banks for the funds got from the banks. The rate of interest paid changes from time to time for the banks and their depositors
- The Committee shall meet when necessary, but at least once in a quarter time period the committee should have met for the discussion. The quorum for each meeting shall be at least the Chairman and one-third of its total members.
- The Committee can form its own rules for business. The Fund shall be utilized for promotion of depositor's interests specified by the Reserve Bank.
- The Committee shall function for the purposes that may be specified by Reserve Bank in this regard from time to time.
- The Committee must form list of activities, the criteria and procedure, etc. for incurring expenditure and achieving the objectives of the DEAF in different interval of time.
- The Committee will work on DEAF and form all powers on behalf of the DEAF, including the expenditure that are spent for DEAF.

- As decided by the Committee even the expenses of the Committee and other expenses for administration of DEAF shall be charged to the DEAF itself.
- RBI for determination of the rate of interest payable by the DEAF to the depositors, the Committee shall provide to the RBI information on their income and expenditure as required are provided by the committee.

Conclusion

The committee is responsible for the safe running of work under DEAF scheme and if there are any disputes in the DEAF then RBI will have to solve and maintain the work progress. If the scheme needed any changes in its rules and regulations then RBI alone can amend with required provisions with due notification in the gazette. These are the important facts about Depositor Education and Awareness Fund Scheme (DEAF), 2014.

Public Funds in India: All You Need to Know

Introduction

- Public Funds in India are the Accounts for the path of different transactions in which the Government role is like a banker.
- These Public Funds are also called Public Account.
- All the public Funds which are received under the behalf of the Government of India or Government of States must be stored or credited to the Public Account.
- These Public Account Funds are defined in the Article 226 (2) of the Indian Constitution.
- These Public Funds do not belong to the Government and have to be paid back to the legal owner of that money.

Objectives

- Main objective of this Public fund is to provide help to the public through different goods and services.
- Services for the community which includes health services, public safety, food program, children program, insurance etc.

Sources

- Funds generally comes in this Public Account from the following sources.
- Saving bank account of different departments and ministries.
- Provident fund of Government employee.
- National Investment fund
- National small saving fund
- Defense fund
- National calamity and contingency fund (NCCF)
- Reserve fund deposit made by outside agencies

Structure and Process

- There are five main Accounts comes under this Public funds which are small saving, Provident fund, Reserve fund , Deposit and advances, Remittance.
- Such funds do not belong to the Government but Government holds it for managing it for their owners.

- Owners of this funds are anybody like ordinary people , government contractors or maybe even government itself.
- Small saving, provident and Reserve fund accounts are generally used for dealing with receipts and payments for which the Government has to repay the money received from owner.
- The other deposit, advances and remittance Accounts are used only for the adjustment facility.
- The most important Account among these are small saving, provident funds and other Account for which the Government has to pay certain interest on that fund deposited with the decided rate.
- By providing interest to the owner of that funds Government invest such fund for some Government securities which are used for development purposes.
- These Public funds are managed by different secretaries or principal secretaries of that department or ministries.
- The Fund created by Government is generally out of taxpayer's money and then Government pays interest for that fund by using taxpayer's money.

Restrictions

- There are some restrictions while using this funds.
- Public Funds need to be used for public Funds only so that it will benefit the country.
- Because maximum number of fund comes from the taxpayer's who wants to know that there money goes back for the Community development or not.
- Such funds are not used to support the operations of private business or for establishing the private business.

Review

Funds	Income Source	ParliamentaryAuthorizations	Article ofConstitution
Consolidated fund	Tax and Non tax revenue	Required prior to expenditure	266 (1)
Public Funds	Public money other than consolidated fund	Not required	266(2)
Contingency fund	Fixed money of 500 crore	Required after the expenditure	267(1)

Bharatiya Reserve Bank Note Mudran Private Limited (BRBNMPL) - Facts

Introduction:-

Bharatiya Reserve Bank Note Mudran Private Limited (BRBNMPL) is one of the solely owned subsidiaries of the Reserve bank of India (RBI), others being Deposit Insurance and Credit Guarantee Corporation (DICGC), National Bank for Agriculture and Rural Development (NABARD) and National Housing Bank (NHB). It was established on 3rd-Feb-1995 with a view to yield bank notes in India and enable RBI to link the gap between the supply and demand for bank notes in the country. The BRBNMPL has been listed as a Private Limited Company under the Companies Act 1956 with its Registered and Business Office located at Bengaluru, Karnataka.

History:-

The bank note printing in India started in 1928 with the formation of India Security Press at Nasik by Government of India. Until the commissioning of Nasik Press the Indian Cash Notes were got printed from Thomas De La Rue Giori of UK.

The 2nd bank note printing press was established in Dewas (Madhya Pradesh) in 1975 by Indian government. With the growing population and economic activity, the demand for bank notes has been gradually increasing. To link the demand and supply gap, the GOI decided to establish two new bank note printing presses one at Mysuru (Karnataka) and the other at Salboni (West Bengal).

By virtue of the provisions of 43 A of the companies Act, 1956 the Firm became a deemed Public Limited Company from 5-mar-1997. Consequent to amendment of sec 43A in Company's (Amendment) Act 2000, the Company again became a Private Limited Company w.e.f. 24th Feb 2002.

Vision of BRBNMPL:-

"To arise as a Global Frontrunner in pursuit of excellence providing the best in Design, printing, services & supply of banknotes & other safety documents."

Mission of BRBNMPL:-

BRBNMPL will work in Indian and global market catering to security document needs of Central banks and monetary authorities of the world by designing, printing and supplying banknotes and other safekeeping documents, using state-of-the-art technology, adopting world-class practices in people and process management and deploying highly consistent systems for product security and confidentiality, in order to maximize economy, efficiency, effectiveness to the satisfaction of all stake-holders, and with a deep sense of caring for the society and a proactive concern for environment as a answerable Corporate Citizen. The prevailing capacity for both the presses is 16 billion note pieces per year on a 2-shift basis.

Management Board:-

Name	Designation	Address
Shri R. Gandhi	Chairman	The Company Secretary Bharatiya Reserve Bank Note
Dr. (Smt.) Deepali Pant Joshi	Director	

Shri Y.H. Malegam	Director	Mudran Pvt. Ltd., No. 3 & 4, 1st Stage, 1st Phase, BTM Layout Bannerghatta Road Bengaluru - 560 029
Shri P.S. Bhattacharya	Director	
Dr. A.G. Kulkarni	Director	
Dr. K. N. Ganesh	Director	
Shri Kaza Sudhakar	Managing Director	Bharatiya Reserve Bank Note Mudran Pvt. Ltd., No. 3 & 4, 1st Stage, 1st Phase, BTM Layout Bannerghatta Road Bengaluru - 560 029

Both the printing facilities have installed the modern "state of the art" technology in bank note printing. The machinery for the printing press has been provided by the following company.

1) Mysore branch –by M/s. De La Rue Giori, now KBA Giori, Switzerland

2) Salboni branch- by M/s. Komori Corporation, Japan. Both the branches are equipped with sophisticated Security Surveillance Systems.

BRBNMPL seeks to achieve the mission of its company through its most valued asset, its people. It has also gone in for wide automation and the Enterprise Resource Planning. The BRBNMPL has already put in place an effective Quality Management System as embodied in the ISO 9001 - 2008 and also environmental management systems and has also been certified as ISO 9001: 2008 and ISO 14001: 2004 Company.

Banker's Rights – Right of lien: Explained

Introduction

- Lien is defined as the right of a creditor to retain the procession of the goods and securities owned by the debtor until the debt has been paid.
- It does not include the right of sale of goods and securities.

- Lien is available as bills, cheques, promissory notes, share certificates, bonds and debentures.
- Lien is not available on deposits, since deposits are neither good nor securities .

Types of Lien

Particular Lien

- In case of a particular lien the creditor gets the right to retain possessions only of goods or securities for which the dues have arisen and not for other dues
- Example: A laptop-repairer can withhold the delivery of laptop until his charges of repairing the watch are paid to him.

General Lien

- A general Lien gives the right to the creditor to retain the possession till all amounts due from debtor are paid or discharged
- This is available to bankers, factors, and attorneys of High Court and Policy Brokers only

Banker's Lien

- Banker has right of general lien
- To exercise the right of lien the bank must lawfully take over its possession
- A banker should sell the securities only after a giving a notice to the debtor

Features of general lien – Banker's

Implied pledge and right of sale

- To create general lien, no special contract is required. The right to sell the property is also available under bank's right of lien because a banker's general lien tantamount to an implied pledge

Limitation

- The right is not restricted by law of limitation. The act only restricts the remedy through court and not discharges the debt. Hence, bank can recover debts even when time have exceeded also.

Ownership/possession

- The possession is with the bank but the ownership remains the same

Conversion to particular lien

- If it is indicated that a particular security was obtained for one particular debt only, then the general lien gets converted into a particular lien.

Criminal Action

- When the banker exercises his right of general lien, no criminal action is available because there is no criminal act behind it.

Lien Can be Exercised Where

- The right of general lien is available and is always entrusted to bank in the capacity as a banker
- The right is available for goods and securities that are in the name of the borrower or in the name of guarantor
- Right can be exercised for other dues of same borrower, on goods and securities remaining in its procession even after the other loan taken against them, has been paid

- Lien can be used by giving a reasonable period notice. Sale Without notice, even if there is an agreement, is unlawful

Lien Cannot be Exercised

- Where there is any contract inconsistent with this right between banker and the customer
- Where the goods and securities are entrusted to the bank as a trustee or as an agent
- Where the goods and securities are entrusted for some specific purpose
- Where the loan is granted to one person and the goods and securities are owned by more than one persons
- Goods/securities handed over for safe custody
- Where the bills of exchange or other documents have been handed over by the customer with specific instructions to utilize their proceeds for the specific purpose
- In case of shares that are given for selling them in a future and apply the sale proceeds for a specific purpose
- Where some documents or valuables are left in bank's possession by the customer by mistake or negligence
- Where securities are given to bank to secure a loan, but that has not been granted as yet.

History of Banking in India: Key Points To Remember

INTRODUCTION

Banking in India has a very long history starting from the late 18 th century. The origin of modern banking started from 1770 in the name of "Bank of Hindustan" by English agency 'House of Alexander & Co' in Kolkatta however it was closed in 1832. Further in 1786 "General Bank of India" was started and it failed in 1791.

PRESIDENCY BANKS

These banks were funded by the presidency government at that time.
The 3 presidency banks were

- Bank of Bengal- Established in 1806
- Bank of Bombay - Established in 1840
- Bank of Madras - Established in 1843

These three presidency banks were re-organized and amalgamated to form a single entity named "Imperial Bank Of India" on 27 th January ,1927. It was later transformed into "State Bank Of India" in 1955.

SOME OF THE OLD BANKS:

- **Allahabad Bank** was established in 1865 at Allahabad(Uttar Pradesh). It is the oldest joint stock bank of our country functioning till today.
- **Oudh Commercial Bank** was established in 1881 at Faizabad(Uttar Pradesh).It is the First limited liability Bank in India and also first joint stock bank by Indians.However it failed in 1958.
- **Punjab National Bank** was established in 1895 at Lahore(pakistan) and it was also the first bank to be managed solely by Indians.

IMPACT OF "SWADESHI" MOVEMENT

Due to the "Swadeshi" movement many banks were established between 1906 to 1911. Many local bussinessmen and strong political figures of India funded the banks for Indian community. Some of the banks that were established are as follows:

Name of the Bank	Establishment Year
Canara Bank	1906
Bank Of India	1906
Corporation Bank	1906
Indian Bank	1907
Bank Of Baroda	1908

"The Reserve Bank Of India"

- RBI was established on 1st April ,1935 in accordance with the provisions of the RBI act,1934.
- It was established under the recommendations of the"Hilton Young Commission"also known as "Royal Commission On Indian Currency And Finance".
- Initially it was setup in Calcutta and permanently moved to Mumbai in 1937.
- Initially the RBI was started with private share holder's fully paid up capital of Rs.5 crores.
- It also acted as central banking institute for Mynmar till 1948 and till 1947 for Pakistan.
- The RBI was nationalized on 1st January, 1949 in accordance with the RBI(Transfer to Public Ownership)act,1948.
- It empowered RBI to act as central banking institution to control monetary policy of Indian Rupee and to control,regulate,monitor,inspect banks in the country as mentioned in the 2nd schedule of RBI act1934.

SUBSIDIARIES OF RBI

- Deposit Insurance and Credit Guarantee Coporation(DICGC)was set up in 1978.
- National Agriculture and Rural Development Bank(NABARD) was set up in 1982.
- National Housing Bank was set up on 1988.
- Bharatiya Reserve Bank Note Mudran Private Limited(BRBNMPL) was set up in 1995.

STATE BANK OF INDIA

- The State Bank Of India was formerly known as "Imperial Bank Of India" during the British rule.
- It was established on 1st July,1955 under the recommendations of "Gorwala committee".
- It was nationalized on 2nd June,1956 with majority of its share taken by the Government of India.
- The SBI acts as an agent where the Reserve Bank Of India has no branch offices.
- It has 5 associate banks,State Bank of Bikaner & Jaipur, Hyderabad, Mysore, Patiala and Travancore.

Financial Institutions in India: Key Points to Remember

NABARD (National Bank for Agriculture and Rural Development)

Established: NABARD was established on 12th July 1982 on the recommendation of CRAFICARD committee which is also known as the Sivaraman Comittee.

Headquarter: Mumbai, Maharashtra.
Chairman: Harsh Kumar Bhanwala.
Primary Function:

- NABARD is the apex organisation related to financing in the agricultural sector.
- It looks after matters concerned with policy, planning and operations in rural areas in India.
- Rural Infrastructure Development Fund (RIDF) are operated by NABARD.

SIDBI (Small Industries Development Bank of India)

Established: Small Industries Development Bank of India (SIDBI in short) was established on 2nd April 1990 under the Small Industries Development Bank of India Act 1989 as a subsidiary of Industrial Development Bank of India.
Headquarter: Lucknow, Uttar Pradesh.
Chairman: Dr. Kshatrapati Shivaji.
Primary Function:

- SIDBI is an independent financial institution which provides help for the growth and development of micro, small and medium-scale enterprises (MSME's).

SEBI (Securities and Exchange Board of India)

Established: SEBI was first set up as a non statutory body in April 1988, to regulate the working of stock exchange. Later it was made an autonomous body on 12 April 1992 via SEBI Act 1992.
Headquarter: Mumbai, Maharashtra.
Chairman: Upendra Kumar Sinha.
Primary Function:

- SEBI is the security market regulator in India.

IRDAI (Insurance Regulatory and Development Authority of India)

Established: IRDDAI was set up in the year 1999 by the Insurance Regulatory and Development Authority Act, 1999, which was passed by the Government of India.
Headquarter: Hyderabad, Telengana.
Chairman: T.S. Vijayan.
Primary Function:

- The IRDAI is an autonomous, statutory agency tasked with regulating and promoting the insurance and re-insurance industries in India.

EXIM BANK (Export Import Bank)

Established: EXIM Bank was established on January 1, 1982 for the purpose of financing, facilitating and promoting foreign trade of India.
Headquarter: Mumbai, Maharashtra.
Chairman: Yaduvendra Mathur.
Primary Function:

- The Export-Import (EXIM) Bank of India is the principal financial institution in India for coordinating the working of institutions engaged in financing export and import trade.

NHB (National Housing Bank)

Established: The bank started its operations from July 1988. National Housing Bank was established under section 6 of National Housing Bank Act (1987).
Headquarter: New Delhi
Chairman: Sriram Kalyanaraman.
Primary Function:

- The National Housing Bank (NHB), the apex institution of housing finance in India, was set up as wholly owned subsidiary of the Reserve Bank of India.

ECGC (Export Credit Guarantee Corporation of India)

Established: ECGC Ltd. was established on 30 July, 1957 to strengthen the export promotion by covering the risk of exporting on credit.

Headquarter: Mumbai, Maharashtra.

Chairman: Geetha Muralidhar

Primary Function:

- Export Credit Guarantee Corporation of India. This organisation provides risk as well as insurance cover to the Indian exporters.

NBFC (Non Banking Financial Company): Explained

Introduction

Non-bank financial companies (NBFCs) are financial institutions that provide some of the banking services without the definition of a bank since it do not hold a banking license. NBFCs are companies registered under the Companies Act, 1956 engaged in the business of loans and advances, acquisition of shares, stocks, bonds, debentures or securities issued by Government or local authority or other marketable securities of a like nature, leasing, hire-purchase, insurance business and chit fund business.

NBFCs can be classified into two broad categories:

- NBFCs accepting public deposit (they hold a deposit accepting certificate of registration).
- NBFCs not accepting/holding public deposit (they do not hold such a certificate).

To accept deposits:

- A Non Banking Financial Company has to be registered with the RBI and have certificates of authorization to accept deposits from the public.
- An NBFC must show the certified copy for accepting deposits at the registered office and other branches.
- An NBFC registered with the RBI merely authorizes it to conduct the business of an NBFC. NBFCs cannot use the name of the RBI in any manner while conducting their business.
- The NBFC whose application for the authorization certificate for accepting deposits has been rejected by the Reserve Bank of India cannot accept fresh deposits neither can it renew existing deposits.

Difference between BANK & NBFC:

- NBFCs lend and make investments and hence their activities are similar to that of banks. However there are a few differences as given below:
- NBFC cannot accept demand deposits
- NBFCs do not form part of the payment and settlement system and cannot issue cheques drawn on itself
- Deposit insurance facility of Deposit Insurance and Credit Guarantee Corporation is not available to depositors of NBFCs, unlike in case of banks.

Relation with RBI:

- A company which comes under the Companies Act, 1956 and desirous of commencing business of non-banking financial institution as defined under Section 45 I (a) of the RBI Act, 1934 should comply with the following:

- The company should be registered under Section 3 of the companies Act, 1954.
- It should have a minimum net owned fund of Rs 200 lakhs.

Deposits:

- At present the maximum rate of interest which can be offered by an NBFC is 12.5%.
- The interest may be paid or compounded at rests not shorter than monthly rests.
- The NBFCs are allowed to accept/renew public deposits for a minimum period of 12 months and maximum period of 60 months.
- They cannot accept deposits repayable on demand.
- The deposits with NBFCs are not insured.
- The Reserve Bank of India does not ensure the repayment of deposits by NBFCs.

Minimum capital required for setting up an NBFC : 100 crores.

Budget Highlights 2017

FISCAL SITUATION

- Total expenditure is Rs. 21, 47,000 Crore.
- Rs.3000 Crore for implementing budget announcements under department of Economics.
- Defense expenses, excluding pension- Rs 2, 74,114 Crore.
- Expenses in science and technology- Rs. 37,435 Crore.
- Total resources transferred to States and UTs - Rs 4.11 lakh Crore
- Recommended fiscal deficit for 3 years – 3% with deviation of 0.5% of GDP.
- Revenue deficit- 1.9%
- Pegged fiscal deficit of 2017-18 at 3.2% of Gross Domestic Product (GDP) and remain committed to achieving 3% in the next year.

AGRICULTURAL SECTOR

- The fund given to NABARD is increased to Rs.40, 000 Crore from Rs.20, 000 Crore.
- 10 lakh Crore is allocated to farmers as credit, with 60 days interest waiver.
- To test soil, govt. will set up mini labs KRISHI VIGYAN KENDRAS (KVK).
- An initial amount of Rs.5, 000 Crore to set up micro irrigation for NABARD.
- Rs 2,000 Crore for Dairy processing infrastructure fund.
- Issuance of soil cards has gained momentum.
- A new law on Contract Farming will be prepared & shared with the states.

RURAL POPULATION

- Five lakh farm ponds will be taken up under the MGNREGA during 2017-18.
- Union government plans to bring One Crore households out of poverty by 2019.
- Allocated Rs 19,000 Crore for Pradhan Mantri Gram Sadak Yojana (PMGSY).
- Government will take steps to make sure that the participation of women in MGNREGA up to 55% from 45%.
- 100% rural electrification by March-2018

- With the help of Space technology, government will monitor the MGNREGA works.
- Rs. 3 lakh Crore will be spent for farmers in rural India to double their incomes.
- wachh Bharat's progress has gone up to 60%. It was 42% in oct-2013.

For Youth

- Based on Accreditation, colleges will be identified.
- Government will set up 100 India International centers across the country to maximize the potential under Skill India mission.
- Courses on Foreign languages will be introduced.
- Additional 5000 PG seats for medical sciences.

POOR & HEALTH CARE

- Rs.1, 84,632 Crore allocated for women & children.
- Target of Eradicating Tuberculosis by 2025.
- Pregnant women will get Rs.6000 across the country.
- Rs.500 Crore has been allocated for Mahila Shakti Kendras.
- Around 1.5 lakh health sub centers will be transformed into health wellness centers.
- Two AIIMS medical colleges will be set up in Gujarat & Jharkhand.
- To monitor health of senior citizens, Aadhar based smart cards will be issued.

INFRASTRUCTURE & RAILWAYS

- Total funds allotted -1, 31,000 Crore.
- Elimination of service charge for booking e-ticket with IRCTC.
- Raksha coach with a fund of Rs. 1 lakh Crore for 5 years to ensure passenger's safety.
- Around 3,500 km of railway lines will be constructed this year from 2,800 km last year.
- Clean My Coach', an SMS based service will be started.
- 'Coach Mitra'- to register all problems related to coach will be started.
- All the trains will be having Bio-Toilet by the end of 2019.
- Around 500 Railway stations will be made differently- abled friendly.
- All level crossings will be unmanned by 2020.
- Around 2000 km of roads for coastal area connectivity.
- Rs.64, 000 Crore allotted for highways.
- 1, 50,000 Gram Panchayats to get high speed internet.

ENERGY SECTOR

- A policy for crude reserves will be set up.
- Rs.1, 26,000 Crore investments received for energy based investments.
- Trade Infra Export Scheme' will be launched in 2017.

FINANCIAL SECTORS

- FDI policy reforms - more than 90% of FDI inflows are now automated.
- IRCTC shares will be listed in stock exchanges.
- The Foreign Investment Promotion Board will be abolished in 2017-18
- Under Pradhan Mantri Mudra Yojana, this year's target to lend is Rs. 2.44 lakh Crore.

- Two new schemes i.e., referral bonus for users & cash back for traders will be introduced to promote the BHIM app.
- The 'Negotiable Instruments Act' will be amended.
- A 'Computer Emergency Response' team will be formed for financial sector.
- Easy online booking system will be made for Army & Defence personnel.
- For big-time offences including economic offenders escaping India, the government, will introduce a legislative change or new law to confiscate the assets of these people within the country
- DBT to LPG consumers, Chandigarh is kerosene free, 84 government schemes are on the DBT platform.
- Around 1.95 Crore individuals has shown income b/w 2.5 lakh to 5 lakh.
- Out of 76 lakh individual assesses declaring income more than Rs 5 lakh, 56 lakh are salaried persons.
- 1.72 lakh people showed income more than 50 lakh per annum.
- B/w Nov 8 to Dec 30: Deposits between Rs 2 lakh and Rs 80 lakh was made in 1.09 Crore accounts.
- Rate of growth of advance tax in Personal I-T is 34.8% in last three quarters of this financial year.
- Propose to reduce basic customs duty for LNG to 2.5% from 5%
- No cash transaction to be made above Rs. 3 lakh.

FUNDING OF POLITICAL PARTIES

- The donation to parties has reduced to Rs. 2000 from Rs. 20000.
- Political parties are allowed to receive donations by cheque or digital mode from donors.
- Amendment is being proposed to RBI Act to allow issuance of electoral bonds. Donor can purchase these bonds from banks or post office via cheque or digital transactions. They can be redeemed only by registered political parties.

TAX PROPOSALS

- India's tax to GDP ratio is not favorable.
- Total 5.97 lakh companies have files returns for 2016-17 out of 13.14 lakh registered companies.

PERSONAL INCOME TAX

- Propose to reduce current rate of taxation of those with income between 2.5 lakh to 5 lakh from 10% to 5%.
- Simple one page return for persons with annual income of Rs. 5 lakh other than commercial income.
- All other categories of tax payers in subsequent brackets will get benefit of Rs 12,500.
- Individuals filing I-T returns for the first time will not come under govt. scrutiny.
- 10% surcharge on single income above Rs. 50 lakh and up to Rs 1 Crore to make up for Rs 15,000 Crore loss due to cut in personal I-T rate. 15% addition on individual income above Rs. 1 Crore to remain

Self Help Groups in India: Key Points to Know

DEFINITION

A self help group is a group of 10-20 women or men, mostly women of a village, who make small savings over a period of time. The members of the group mutually contribute to a pool of resources and then lending can began from that fund. Bookkeeping and peer pressure ensures that the money is used properly and is timely repaid by the members.

NEED

- For making poor people self-reliant
- Availability of micro-credit and funds
- For upgrading their standard of living
- For providing self employment
- For emergency situations

STRUCTURE

- 10-20 members
- Generally, all members belong to Below Poverty Line(BPL)
- Maximum 30% in a group may be marginally Above Poverty Line(APL)
- Flat interest rates
- Only one member will be allowed per family
- A person will be strictly a member of one group only
- Free exchange of views done, like in a democracy

STAGES OF SHG

- Formation of group
- Pooling of funds
- Getting self-employed for becoming financially strong

CHARACTERISTICS

- It is a self governed body
- A code of conduct is followed
- It is linked with a bank for lending small amounts of loans
- No need of collateral
- Everyone in the group get self-employed through the financial assistance given.
- Withdrawal of money can also be gone in any emergency like in a disaster or a major health problem
- May or may not be promoted by government institutions
- Contributes to the financial stability of the group
- Helps those who don't have a bank account
- Also help in members becoming an entrepreneur and in community development

ADVANTAGES

- Provides social and financial support
- Helps women develop a sense of leadership
- Helps invoke confidence and self confidence
- An individual feels strong along with the other members of the group i.e strength in numbers
- Empowerment of poor rural women
- To incorporate decision making among women
- To inculcate the habit of banking
- For development of women as they take up social responsibility
- Reduces dependence on informal lenders

- To inculcate habit of savings

NABARD- SELF HELP GROUP BANK LINKAGE PROGRAM

- Once a base fund or capital is created by a SHG and it also has a good track record of payments, the SHG is allowed to borrow from banks.
- Hence, formal financial services are granted to the members
- This further escalates entrepreneurial opportunities

LIMITATIONS

- Lack of training support
- Lack of support to stabilize the enterprise
- Group discussions may upset some members
- Less than ideal average loan size
- Limited funds
- Lack of proper time given to various group meetings
- NPAs of SHGs with banks
- Hence, SHGs are important for garnering economic and social support for people living in villages. Such groups prove to be vital for the less privileged in our country and help in providing strength and hope to them.

Economic Survey: Everything You Must Know

What is it?

It is an annual document provided by Ministry of Finance. It is presented every year before presenting the union budget. The reason behind an economic survey is that the background knowledge will be furnished by the survey and then the Parliament can better appreciate the budget proposals. It provides an opportunity for the government to spell out its economic agenda. It summarizes all the major developmental programmes and the major policy initiatives of the government. This annual document will be presented in both the houses of the parliament during the budget session.

History:

Our country's first economic survey was presented in the financial year of 1950-1951. All the economic survey documents will be available in the Ministry of Finance website. We can find the economic survey documents from 1957-1958 onwards. After independence of our nation, we introduced budget and economic survey in the parliament but at that time both the budget and economic survey documents were circulated on the same day. It was in the year 1964, the economic survey document got separated from the budget and it was circulated in advance, so that the context to the budget can be provided.

Difference between Budget and Economic Survey?

Budget or Economic Survey words are never been mentioned in the constitution of India. Instead, Article 112 clearly mentions it as "annual financial statement" which is to be laid by the President of

India every year in the parliament. The annual financial statement is called as budget. Thus, it is clear that budget is a constitutional obligation for union government, whereas economic survey finds no mention in the constitution nor it is any statutory obligation. The budget is prepared by the Ministry of Finance with utmost secrecy. Economic survey is a data which is already available in public but it is categorically arranged in a proper order and it is printed in one of the government presses.

Who prepares the Economic survey?

First draft of economic Survey will be prepared by Department of Economic Affairs in the Finance Ministry, under the guidance of Chief Economic Advisor.
Consultation from senior officers in Ministry.
Scrutinized by Finance Secretary.
Approval by Finance Minister.
Most of the data are provided by Central Statistical Office (CSO)
Finally, it is presented before one day of budget to provide clear context to the budget.

Is it Constitutional Duty?

As mentioned before that Economic Survey is not a constitutional duty, rather it is a convention followed by the government. As, most of the developed countries publish economic survey, so even we are also following the same path.

What does it contain?

It is a government document and contains statistical data and also it provides an opportunity for the Chief Economic Advisor to provide impartial, economic objective analysis.

Significance

Economic survey for citizens will bring all the citizens to economic policy by providing data and analysis in a comprehensive manner. Citizen awareness and participation are key to the economic decision making. This is the major reason, why the economic division conduct and Chief Economic Advisor do extensive research to circulate the survey.

Major reports:

The survey deals with an overview of the following issues:

- State of the Indian Economy.
- Challenges.
- Fiscal Policy.
- Role of markets.
- Balance of Payments and Trade.
- Industrial, Agriculture, and services sector.
- Infrastructure, Energy, and Communications.
- Climate Change and Human Development.

Conclusion:

Finally, we could say that economic survey is said to be the report card of the country which highlights the previous performances and the areas which need to be focussed. At, the same time economic survey comes up with the estimated GDP and inflation rate for next year. This document acts like an important source for various economists, policy makers, government agencies, researchers, media and all those who are interested in the development of our economy.

Lead Bank Scheme: All You Need to Know

INTRODUCTION

The National Credit Council was set up in Dec-1967 to regulate the priorities of bank credit among various sectors of the economy. The National Credit Council appointed a study group on the administrative context for the implementation of social objectives in Oct-1968 under the Chairmanship of Prof. D R Gadgil. The study committee found the following points. Report was submitted on Oct-1969.

- The nationalized banks provide 83% of total credit.
- Out of 2700 towns banking facilities are available only in 617 towns.
- 5000 villages not covered by Commercial banks.

Prof. D R Gadgil committee recommended the following points.

- Banks should provide integrated banking facilities in unbanked areas.
- Adoption of 'Area Approach' – in unbanked areas –each bank should adopt an area.
- Help Agriculture & Supplemental Security Income (SSI).
    - 'District' identified as the smallest geographical unit for the scheme.

OBJECTIVES

- Eradication of unemployment and under employment.
- Considerable rise in the standard of living for the deprived of the poor.
- Provision of some of the basic needs of the people who belong to poor sections of the society.

FUNCTIONS

- To analysis the resources & potential for banking development by identifying unbanked centers in the allotted districts.
- To identify the industrial & commercial units which do not have bank accounts or depend mainly on money lender.
- To identify & study local problems.
- To set up branches in a phased manner.
- To keep contacts & liaison regularly with government & semi-government agencies.
- To provide assistance to the primary lending agencies.

Advantages from the scheme

- Spread the availability of banking facilities all over the country.
- Interlink the commercial & co-operative banks.
- More effective branch expansion.
- Better relationship b/w government & banks.
- Integration of credit activities of banks.
- This scheme would assist in implementation of District Plan.

District Credit Plans (DCP's)

- It was implemented in 1974.
- It consists of technically & economically viable schemes which can be taken up for financing.

- It is a plan of bankable schemes in agriculture, industry & services sectors of the district.
- Implement the program in collaboration with other institutions.
- Monitor progress & evaluate progress in achieving targets.

Progress of Lead Bank Scheme

By 1974 –90% of geographical areas in Assam, Bihar, West Bengal, Orissa, Madhya Pradesh, Uttar Pradesh was covered.

The study committee appointed by RBI in Gujarat & Maharashtra concluded the following points.

- Lead Banks were successful in identifying potential area for new branches.
- Formulation & implementation of DCP's was slow.
- They suggested preparation of Annual Action Plans followed by Annual Credit Plans (ACP's).
- By mid 90s, the lead bank scheme covered 493 districts.

PROBLEMS

- There is a confusion regarding the concept of 'Lead Bank' especially for opening branches – ambiguous scope & objectives.
- Lag in Co-ordination & effective functioning b/w banks & financial institutions.
- Problems in allotment of Districts.
- Problems in preparation & uniformity of DCP's.
- Did not consider the role of Co-operatives which is the important source of institutional finance.

Banker's Right of Set Off: Explained

Introduction

The set-off refers to "combining of two or more account for final settlement of accounts"
In other words set off is a process where the bank recovers its due loan, to the debit of deposit account of the burrower
The essential condition is that one of such accounts must show a debit balance and the other, a credit balance

Different Branches are one unit
For exercising the right to set off all branches of a bank are treated as a single unit, which means a loan from branch-A can be adjusted by the funds in branch-B under following conditions.

CONDITIONS

There are certain conditions to be followed before using right to set off.

RELATIONSHIP

The right can be exercised when the relationship is that of debtor/creditor on one hand and creditor/debtor on the other and exist simultaneously.

NOTICE

The right can be exercised only after sending a prior notice to the depositor, expressing the intention to exercise the right. The notice will be of a reasonable period.

TYPE OF LOAN

The loan should be certain, determined, due and not a future debts and where no agreement to the contrary exists. In other words, the right can be used, for those loans, which have become due for payment and customer has defaulted. Where the customers has been paying the loan as per agreed terms, the right is not available.

TIME BARRED LOANS

Time barred loans can be recovered by use of right of set-off, since such loans continue to be lawful.

SAME NAME AND CAPACITY

It is essential that the account must be in the same name and in the same capacity. The money belonging to someone else cannot be made available to satisfy personal debts of some other person.

PARTNERS/PARTNERSHIP

Where a partner's account shows credit balance, the right can be exercised for the dues of the partnership firm. But where the firm's account shows credit balance, the bank cannot set off the credit balance against the debts due from the individual partner.

GUARDIAN

Where account is opened in the name of minor child in the capacity of a guardian, the account with the bank. Hence, bank cannot exercise right of set-off on such accounts.

TRUST

The funds held by a person in a trust account are to be treated in a different right from his own liability as an individual. Theses cannot be used by the bank for set-off.

JOINT ACCOUNTS

If the account of a person shows debit balance, such dues cannot be recovered from his joint account with others. To settle the loan in the joint names, the funds lying in the individual account of one or more of them, can be used to settle the joint liability.

GUARANTOR'S ACCOUNT

The right can be exercised against the lying in the account of a guarantor but only when demand is made on the guarantor which determines his liability.

TERM DEPOSITS WHICH ARE NOT DUE

Though the right is available, but the right can be used only after the term deposit becomes due.

LIEN AND SET-OFF - DISTINCTION

TRANSACTIONS	LIEN	SET-OFF
SUBJECT MATTER	Goods and Securities	Bank Deposit
RELATIONSHIP	Creditor and Debtor	Creditor/debtor and Creditor/debtor simultaneously
If available for time barred loans	Yes, If otherwise lawful and due	Yes, If otherwise lawful and due

Receipt of garnishee or attachment order	Not applicable	Right can be exercised for lawful and due debts
POSSESSION	With the bank is must	Possession of deposit receipt or pass book not necessary with bank
Account with different branches	It is available by treating the branches as one bank	It is available by treating the branches as one bank

SWAYAM Scheme: Important Things to Know

Full Form: Study Webs of Active –Learning for Young Aspiring Minds
Launched: On 1st February 2017 (day of budget)by the Ministry of Human Resource Development, Government of India.

What is SWAYAM?

- It is an MOOC (Massive Open Online Courses) platform.
- SWAYAM is an instrument for self-actualization providing opportunities for a life-long learning.
- In this platform a person can choose from hundreds of courses which are generally taught at the university, college and school level.
- The courses shall be offered by best teachers in India and elsewhere.
- This is done through an indigenous developed IT platform that facilitates hosting of all the courses from class IX till post-graduation to be accessed by anyone at any time.
- All the courses are interactive and are free of cost to the residents in India. More than 1,000 specially chosen faculty and teachers from across the Country have participated in preparing these courses.
- A student studying in a college can transfer the credits earned by taking these courses into their academic record. If you are working or in school, SWAYAM presents a unique educational opportunity to expand the horizons of knowledge.
- Professors of centrally funded institutions like IITs, IIMs, central universities will offer online courses to citizens of India.
- All courses would be offered free of cost under this programme however fees would be levied in case learner requires certificate.

Aim

- This programme has been started by GOI and is set up to achieve the three cardinal principles of Education Policy - access, equity and quality.
- The objective of this effort is to take the best teaching learning resources to all, including the most disadvantaged.
- This initiative aims to join the gap for people who are still far from enjoying the fruits of

digitization and those who have not joined the mainstream of the knowledge economy.

COURSES

- The courses on this platform will be in 4 parts – Video lecture, specially prepared reading material (downloadable/printable), Self-assessment tests through tests and quizzes and an online discussion forum for clearing the doubts.
- Steps have been taken to enrich the learning experience by using audio-video and multi-media and state of the art pedagogy / technology.

In order to ensure best quality content are produced and delivered, seven National Coordinators have been appointed:
NPTEL for engineering
UGC for post-graduation education
CEC for under-graduate education
NCERT & NIOS for school education
IGNOU for out of the school students
IIMB for management studies.

Software and Operating System: Quick Revision of Key Points

What is software?

A particular set of instructions which tells the computer what are the tasks to be carried out and how they are to be done is known as Software.

What is a Program?

Program is a set of instructions which looks over the sequence of operations. It is a sequence of instructions, written to perform a specified task with a computer.

Types of Software:

Application software: It is a group of program designed to fulfil the demand of end user. Examples: Word processing software, Spreadsheet software, Database software, Education software and Entertainment software.

System software: It is a program which is created for the system and to make the system user friendly. Operating system is a type of computer program that is designed to run a computer's hardware and application programs. Examples: Operating system, Programming language translators, Communication software, Compiler and Interpreters and Command line shell.

Utility software: It is designed to help analyze, configure, optimize or maintain a computer. Example: Anti-virus, Registry cleaners, Disk defragmenters, Data backup utility and Disk cleaners.

What is Operating System?

Operating system is a set of programs that help in controlling and managing the hardware and the software resources of a computer system.

Main functions:

Process management: The Operating System handles all the tasks those are assigned by the user. It also takes care of the processes those are System's own. The Operating System will set the Priorities for the user. It also starts or stops the execution of the Process and also divides the Large Processes into the Small Processes.

Memory management: OS also manages the memory of the Computer System. It provides the memory to the Process and also takes back the memory from the process. Once the process gets completed the OS will reallocate the memory from the processes.

File management: OS also controls the all the storage operations. It determines how the data or files will be stored in the computers and how they will be accessed by the users.

Security: If a computer program is run by an unauthorized user, then he/she may cause severe damage to computer or data stored in it. Therefore an OS provides security to resources such as CPU, memory, disk, software programs and most importantly data stored in the computer.

Extended Machine: Operating System also behaves like an Extended Machine since it enables users to Share files among multiple users. An OS also provides Some Graphical Environments and Various Languages for Communications. It executes many Complex Operations like the performance of Hardware and Software as well.

Resource allocation: Operating System also known as the Resource Manager. Memory, Processor and all the Input and output devices those are attached to the computer are known as the Resources of the Computer. The OS manages all the resources those are attached to the computer.

Types of Operating System

- Batch operating system: Here data and program that need to be processed are bundled and collected as a batch and executed together.
- Multi-programming operating system: It allows the instruction and data from two or more separate process to reside in primary simultaneously. Multi-programming system are multitasking multi-user and multiprocessing operating system.
- Single user: It is designed for single user and single people use it at a time. Examples - DOS window's 95 etc.
- Distributed operating system: This type of OS manages a collection of independent computers and makes them appear to the user of the system as a single computer.
- Real Time Operating System: It is a computing environment that reacts to input within a specific time period. It is used at those places in which users require higher and timely response.
- Time Sharing System: This system allows two or more users to share the computer resources simultaneously. A time-shared system takes a very small fraction of time and thus only a little CPU time is needed for each user.
- Mobile OS: Windows 10 Mobile is the latest name for Microsoft's phone and tablet operating system. Google's latest's version of its android OS is Nougat and iOS (iPhone Operating System) latest version is iOS 10.

Banker's Right of Appropriation: Explained

INTRODUCTION

Where a debtor has several debts with a creditor with the appropriation of payments made by the debtor to the creditor

EXPRESS INSTRUCTION BY DEBTOR

Where the debtor, owes more than one debts to one person and he makes payment, either with express intimation or under circumstances, implying that the payment is to be applied to the discharge of some particular debt, the payment, if accepted, must be applied accordingly by the creditor.

OMISSION BY DEBTOR TO INTIMATE

Where the debtor has not indicated the account and circumstances also do not indicate to which debt, the payment is to be applied, the creditor at his discretion, can apply the payment to any lawful debt, actually due and payable to him from the debtor, whether its recovery is or is not barred by the law of limitation of suits.

NON-APPROPRIATION

Where neither the debtor indicates nor the creditor party appropriates, the payment shall be applied in discharge debts, in order of time, whether they are or are not barred by the law of limitation. If the debts are of equal standing, the payment shall be applied in discharge of each proportionately.

BANKER'S RIGHT OF APPROPRIATION

The above principle of appropriation also applies to the loans obtained from bank, when there are two or more debts due to a single customer.

PRIORITY

The general principle is that in case of a debt due with interest, any payment made by the debtor should be first applied by the bank to the interest and thereafter to the principal amount, unless there is agreement to the contrary.

CONDITION PAYMENTS

Bank is not bound to accept the payment from the burrower on the condition proposed by him. But where the condition is accepted, it has to be fulfilled.

For example: Where the customer deposits money to meet the payment of a particular bill payable by him, bank cannot utilise this money against any other loan/advance account.

TIME OF APPROPRIATION AND COMBINING OF ACCOUNTS

Right can be exercised only at the time of a payment. Bank cannot unilaterally combine all the accounts of customer

NOTICE BEFORE APPROPRIATION

Where the bank decides to appropriate the payment it has to send a notice to the customer. When appropriation comes to the notice of the customer, it becomes irrevocable

FREQUENT TRANSACTIONS

Where the customer has one single overdraft account and he makes frequent transactions by way of deposits and withdrawals, each credit entry is deemed to be appropriated against debit entries in chronological order

Electoral Bonds: All You Need To Know

Introduction

The 2017-18 Budget caught much attention for numerous revolutionary moves, in continuance of the battle against black money initiated by the Modi- Jaitley duo with the latter announcing some bold steps aimed at checking the flow of black money into election campaign funds, with the objective of bringing about transparency and accountability in election funding as well as political donations. The move is interpreted as an attempt to realize the Budget theme **"Transform, Energize and Clean India".**

Important Measures Adopted

- A cap on the amount of money that any political party could receive as funds from individuals as liquid cash payments, fixed at INR 2000, reduced form the earlier level of INR 20,000.
- Proposed roll out Electoral bonds. Finance Minister in his Budget speech has announced the roll out of an Electoral Bond scheme. For the same an amendment to the Reserve Bank of India Act is in the anvil. The government has taken such a stance to check the flow of Black money into the election campaigns, based on the recommendations of the Election Commission of India.

Electoral Bonds: Lay out and Strategy

- For the issuance of electoral bonds, the political parties have to furnish the details of a bank account with the Election Commission which will be used solely for the purpose of fund raising via electoral bonds and it will be regulated by the Election Commission itself or any other regulatory body to safeguard transparency of transactions, as well as secrecy of donors involved.
- A notified bank as per the discretion of the concerned regulators will be issuing the electoral bonds akin to financial bonds for the political parties. Interested donors can buy these bonds by means of cheque or digital payment mode, to ensure transparency. These bonds will be given to the political parties, who can redeem the same through the notified bank account within a stipulated short period of time.
- The donor and recipient in this transaction are eligible for tax exemptions, with donor getting a deduction and recipient political parties getting tax exemptions, provided returns are filed properly by the recipient political parties on a timely basis. **The official roll out of electoral bond scheme is scheduled for 1 April, 2018.**

Conclusion

The attempt to streamline the election campaigns with regard to the legitimacy of funding involved is quite a bold move made with the purpose to regulate the flow of unaccounted money into the democratic election process. However the proposed measures were quiet about any upper limit with regard to donations by the corporate demagogues. Similarly no mention has been made with regard to any upper limits on cashless, digital donations. Though the move categorically states about bringing in transparency, to the election funding process, the reference itself to maintain the secrecy of donors involved in cashless election funding, is nothing short of the violation of the basic tenets and purpose of the scheme. Whether the proposed scheme would eventually catalyze the cleansing of election campaigns and the funding processes involved holds onto the efficiency of proposed roll out and its outcome.