Interview Digest for IBPS RRB 2018 Exam

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for IBPS RRB
2018 Exam

Bank interviews are held to test a candidate's knowledge practically. Mainly the interviewers focus on Current Affairs, Banking Knowledge and Your educational background. Keeping these topics in purview, we are launching the much awaited Interview Digest.

Interview Digest is the consolidation of various topics of banking and some Current Important topic. Try to be yourself and be honest in the interview, that's the only way to come out with flying colours.

How to face an Interview Successfully?

An interview is the test of a personality of a candidate as in a bank; it is of utmost importance, sometimes, more than your knowledge. Your interview performance is totally related to "**how you show up" means "how you present yourself**" before the interview panel. The interviewer judges your confidence and your answer on the questions whatever the questions they asked. Always be positive and enthusiastic.

There will be occasions when you will not know the solution to a problem, but you can manage the situation with the help of simple smile and polite behavior. This is what is intended to be judged by an interview.

What are the qualities interviewers looks in a candidate?

- ✓ Behavior (Most important)
- ✓ Temperament
- ✓ Leadership Quality
- ✓ Ability to handle Pressure and also give your best under extremely stressful conditions
- ✓ Knowledge about banking sector

Purpose of the Interview:

You know Interviews are the main tool of selection as they are meant to measure the attitude, skill and ability of the candidate. Panel members used to draw a conclusion on his/her suitability based on your performance which include your confidence level, your body language, your eye contact, your knowledge level, your way of answering etc.

What to Prepare for Bank Interview?

In Interview Panel members will focus on a smarter and a perfect candidate among all the candidates. So we are providing herewith important tips which will help you to perform better. You just need to prepare yourself in 5 key areas for making it a perfect interview.

1. **Prepare About Your Self –**
   (i) Meaning of your name, family background, about the city you belongs to (its history, founder, famous places, famous persons, famous items, economy, surroundings, current M.P. M.L.A from your native constituency etc.)
   (ii) Date of birth (importance of day, any famous person born on that day). Prepare well about your hobbies your likes dislikes your strength and weakness.
   (iii) Interviewers can ask any question related to your hobbies, about your strength and weakness. You must well prepare regarding same.

2. **Prepare About Academics –**
   (i) Questions must be focused on your subjects that you study in graduation or post-graduation.
   (ii) Prepare yourself very well in your academics. Prepare your final year subjects of graduation and post-graduation.
   (iii) Make a list of questions that can be asked from your academics. Make pointer wise notes and mug them all.
   (iv) Prepare about this particular question "What is the use of your degree in banking?" or "How your subject can help in banking?"
   (v) If you have gap more than 2 years then you must be ready to fill this gap with logical reason. If marks are in decreasing order, then give appropriate reasons.
   (vi) If you belong to any non-commerce or non-economics field (like science or B.Tech etc.) then prepare yourself for the question why you opt for banking?

3. **About Banking Sector –**
   (i) You need to prepare well about all expected questions related to RBI & Banking Sector.
   (ii) You need to prepare well for questions related to banking terms and other banking and finance knowledge.
   (iii) You should know who is the present Governor and Deputy Governors of RBI.
   (v) Functions of RBI and Commercial Banks.
   (vi) History of Banking in India

4. **About Your Job Role:**
   (i) You should prepare about the job role of Probationary Officer in Bank.
   (ii) You should well prepare about the hierarchy in the organization.
   (iii) You should well versed with the question " Where you see yourself in the next 5 years"

5. **Current Affairs + Banking + Financial Awareness**
   (i) Questions can be asked on any event or any important news from any field. So be ready to answer the questions related to current affairs.
   (ii) Every candidate is advised to read newspaper regularly before your interview date.
   (iii) Do daily analysis of the important news and discuss with friends.

Interview Attire or Dress up

For Male candidates–

- Trouser– Do not wear Jeans during interview. Trouser should be formal one not stylish one.
- Shirts- Full sleeve shirts, even in summer. Choose white or light stripes.
- Ties- Select good quality tie. Avoid fashion extremes.
- Socks- Dark socks up to mid-calf length so that no skin is visible when you sit down.
- Shoes- Leather Shoes preferably Black. Shoes should be well polished.
- Belt- Black leather belt, it should match with your shoes.
- Facial hair- Well groomed. Take pocket comb along with you on interview day, before entering in room groom it properly.
- Clothes: Clothes should be clean and well ironed.

For Female Candidates-

- Suit- Wear a two – piece matched suit OR you can also wear a saree.
- Cosmetics- Keep conservative makeup. Avoid extremes of nail length and polish color.
- Shoes- Should be leather or fabric. Choose closed – toe pumps. Make certain you can walk comfortably in your shoes; hobbling in uncomfortable shoes does not convey a professional appearance. Don't wear a high heal sandals or footwear.
- Hosiery– Should be plainly styled (no patterns), sheer (not opaque) and in neutral colors complementing your suit.
- Purse/Bag- If you carry a purse, keep it small and simple, purse color should coordinate with your shoes.

Important Points to be note before entering into your interview panel –

Do's

(i) Sir… Please may I come in? When interviewer say please come in,
(ii) Say thank you after permission.
(iii) Softly close the door and wish the Panel member with gentle standing posture.
(iv) Remember time carefully and wish accordingly Good morning, good afternoon or good evening.
(v) Do remember Before 12 o'clock- Good Morning/Between 12-4 Good afternoon/After 4 pm- Good evening
(vi) If there is any female member in the Panel, then wish her first.

Best One: If Interview Panel consists of 1 female and 4 male members (time 10 am)
Good Morning mam and sirs
(i) Wait till Panel asks/permits you to sit and say thanks before sitting.
(ii) Sit in a straight posture with hands in your lap/thigh. Avoid fidget and slouching
(iii) Make your eye contact with the every panel member.
(iv) Your Voice must be Clear/Audible/Humble and Polite.
(v) Give answers confidently.
(vi) Be positive, honest and be yourself. Don't try to show off.
(vii) Always say thank you sir when Panel informs/ corrects you anywhere.
(viii) When you are unable to answer any question say- **Sorry sir I do not know**

or

Best one: – Sir I have heard about it but I am unable to recall at this moment, sorry sir.
When board say thanks your interview is over- Than say Thank you sir.. Take care of your voice modulation.

Don'ts

(i) Don't make excuses. Take responsibility for your decisions and your actions.
(ii) Do not make negative comments about your previous employer.
(iii) Do not treat the interview casually, as if you are just shopping around or doing the interview for practice.
(iv) Do not give impression that you are interested in particular location only and do not talk about salary and perks until the interviewer asks/enquire for.
(v) Don't assume that female interviewer is Mrs. or Miss. Address her as **MAM** unless told otherwise.
(vi) Don't **EAT anything if offered** to you by interviewers just say Thank you sir.
(vii) Don't chew gum during interview.
(viii) Don't allow your cell phone to ring during interview. Put it Switch off or on Silent mode.
(ix) Avoid hand movement.
(x) Avoid looking up and down and avoid hiding eyes with the panel members as it shows lack of confidence.
(xi) Don't forget to wish the Interview Panel members.
(xii) Don't sit until the Interviewers ask to do so.
(xiii) Never put your file or hand on table.

Govt Appoints MDs, CEOs in 10 Nationalised Banks; 5 from SBI Alone

1. **New MD & CEO of Syndicate Bank -** Mrutyunjay Mahapatra (former Deputy MD of SBI)
2. **New MD & CEO of Indian Bank -** Padmaja Chundru (former Deputy MD of SBI)
3. **New MD & CEO of Dena Bank -** Karnam Shekhar (former Deputy MD of SBI)
4. **New MD & CEO of Andhra Bank -** J Packirisamy (former Deputy MD of SBI)
5. **New MD & CEO of Central Bank of India -** Pallav Mohapatra (former Deputy MD of SBI)
6. **New MD & CEO of Allahabad Bank -** SS Mallikarajuna Rao (former Executive Director (ED) at Syndicate Bank)
7. **New MD & CEO of UCO Bank –** Atul Kumar Goel (former ED at Union Bank of India)
8. **New MD & CEO of Punjab & Sind Bank –** S Harisankar (former ED at Allahabad Bank)
9. **New MD & CEO of Bank of Maharashtra –** A. S. Rajeev (former ED at Indian Bank)
10. **New MD & CEO of United Bank of India –** Ashok Kumar Pradhan (former ED at United Bank of India)

Brief overview of Regional Rural Banks

Regional Rural Banks (RRBs) were established in **1975** under the provisions of the Ordinance promulgated on the 26th September 1975 and followed by **Regional Rural Banks Act, 1976.**

RRBs were set up on the recommendations of the **M. Narasimham Working Group** (during the tenure of Indira Gandhi government).

The main objective is to develop the rural economy and to create a supplementary channel to the 'Cooperative Credit Structure' with a view to increase institutional credit for the rural and agriculture sector.

The RRBs grant loans to small and marginal farmers, agricultural labourers, rural artisans, small entrepreneurs and the like.

Ownership and Shares in RRBs:

RRBs are jointly owned by the Government of India, the concerned State government and sponsor banks (any public sector). The ratio of the share capital is as follows:

- GOI - 50%
- Sponsored Bank - 35%
- Concerned State - 15%

Total number of RRBs - There are **56 RRBs in the country** with a combined balance sheet size of Rs 4.7 lakh crore. Of these, 50 are in profit, according to financial statements of RRBs for March 2017, released by National Bank for Agriculture and Rural Development (NABARD).

Note:

- In order to improve the financial health of RRBs, the government-initiated consolidation of RRBs in a phased manner in 2005.
- The number of RRBs came down to 133 in 2006 from 196 at the end of March 2005.
- It further came down to 105 and subsequently to 82 at the end of March 2012 and subsequently to 56.

Authorised capital: This amendment bill increases the authorised capital of each Regional Rural Bank (RRB) from Rs 5 crore to Rs 2000 crore divided into Rs 200 crore of fully paid share of Rs 10 each.

As per the parent Act the Rs 5 crore share capital of RRBs is split into 5 lakh shares of Rs 100 each.

Regulatory Authority –

- National Bank for Agriculture and Rural Development (NABARD) is the regulatory body for the RRBs. It was established on 12th July 1982 on the recommendations of B. Sivaraman Committee.

Key points -

- **Govt identifies 4 Regional Rural Banks for IPOs** - The government has identified 4 Regional Rural Banks (RRBs) for listing on stock exchanges in line with the Union Budget 2018-19.
- **RRBs to maintain minimum prescribed Capital to Risk Weighted Assets Ratio** (CRAR) of 9%. It will ensure strong capital structure and minimum required level of CRAR. This will facilitate financial stability of RRBs and enable them to play greater role in financial inclusion and meeting credit requirements of rural areas.
- The first RRB to be set up was the **Prathama Bank, sponsored by Syndicate Bank on October 2, 1975** in Uttar Pradesh. The head office is at Moradabad, UP.
- The area of operation of the RRBs is limited to few districts in a State.
- The sources of funds of RRBs comprise of owned fund, deposits, borrowings from NABARD, Sponsor Banks and other sources including SIDBI and National Housing Bank.
- All states in India have RRBs, except **Sikkim and Goa.**

Role of Regional Rural Banks in the Indian Economy –

Indian economy is a rural economy. Rural economy plays an important role in providing employment to many. Rural economy is the major source of national income in India. In short, rural sector can be rightly considered as the backbone of our Indian economy.

Key points –

- Regional Rural Banks play an important role in the rural financial sector.
- RRBs provide funds to the weakest among weaker sections of rural society.
- They act as alternative agencies to provide institutional credit in the rural areas.
- In course of time they eliminate money lenders altogether.
- The RRB grants loans to small and marginal farmers, agricultural labours, rural artisans and small entrepreneurs. It charges a lower rate of interest on advances than the prevailing lending rates of co-operative societies in the area.
- They generate employment opportunities in rural areas, through various banking schemes.

Expected Questions which can be asked during Bank interviews

1. **Why do you want to join Banking Sector?**
   This is a frequent asked question in IBPS and other bank interviews.

   (i) While answering these types of question you have to be very careful as these questions are critical to your selection and your answer can make or break your chances of final selection.
   (ii) By asking these types of questions the interviewer wants to judge whether you have clarity in your thoughts and you are well aware of the post and organization you are preparing.
   (iii) Panel members in the interview looks for a confident and a proactive candidate who is well aware and ready to take responsibility if hired.

   Here is a model answer for you which we will suggest you adopt. Sir, I want to join banking sector because

   1. Banks play an important role in the growth of our economy and is a very fast-moving sector. If I work in a bank then with the progress of the organisation, there will be personal growth in my expertise too.

   2. As we are moving towards a digital era, more and more of our daily activities are new dependent on banks. Whether it is school fee or any online transaction. So, I feel it would give me job satisfaction by helping people.

   3. I want to be a part of an organisation which customers trust and get financial support from. Hence, my job would be stable and respectable.

   4. Multiple opportunities and scope in different segments of Bank. Versatile personality i.e. Cheque clearing, Cash transactions, Loan, Customer meet etc. More challenges and the opportunity to work and learn across functions.

2. **How your degree will help in Banking?**
   For Maths/Accounts students
   - Maths/Accounts was one of my subjects. So, my fundamentals are clear, and I can do calculations with good speed and accuracy.
   - On the other hand, I am a quick learner and grasp things quickly. I have a good approach in decision making.

   For Technical/Electronics/Computer/MBA students
   - I have done my ___ with ____. As banking is moving towards digital era.
   - So, I can contribute more in that.
   - On the other hand, I am quick learner and grasp things quickly. I have management qualities and can maintain a good public relation.

3. **How do you see yourself flourish in Banking Sector after 5 Years?**
   It is important to answer in a well-structured way by covering a few topics to leave a better impact on interviewers, such as-

1. Your Interest in the Job

2. Your Core Strengths

3. Your Professional Goals

4. Where you would like to be each year

A perfect way to answer this question would be:

- As I will be joining bank within few months. During the 2 years of probation period, I will learn how to handle customers and will grasp max knowledge of all the products. So, I definitely see myself employed within this bank for the next five years and beyond.

Note: When answering this question, it is important to make sure you are expressing that you plan on staying at the BANK for a long time.

4. **What is Bank? -** Bank is a financial institution which deals in debts and credits. It accepts deposits, lends money and also creates money. It bridges the gap between the savers and borrowers. Banks are not merely traders in money but also in an important sense manufacturer of money.
Primary banking functions of the banks include:
1. Acceptance of deposits
2. Advancing loans
3. Creation of credit
4. Clearing of cheques
5. Financing foreign trade
6. Remittance of funds

5. **What do you mean by Central Bank of India? -** The central bank of the country is the Reserve Bank of India (RBI). It was established in April 1935 with a share capital of Rs. 5 crores on the basis of the recommendations of the Hilton Young Commission. RBI was nationalised on 1 January 1949.

- ✓ **The Management of RBI:** The Executive head of the RBI is called the Governor, who is assisted by 4 Deputy Governors and other executive officers.
- ✓ **Present Governor of RBI –** Urjit Patel is the present governor of RBI. He assumed charge as the 24th Governor of the Reserve Bank of India on September 4, 2016.
- ✓ **At present there are three Deputy Governor of RBI -**
  1. B.P. Kanungo
  2. Viral V. Acharya
  3. N. S. Vishwanathan
  4. Mahesh Kumar Jain

Powers of RBI – The Reserve Bank of India Act, 1934 and the Banking Regulation Act, 1949 have given the RBI wide powers of:

Supervision and Control over commercial Banks - relating to
- licensing and establishments,
- branch expansion,
- liquidity of their assets,
- management and methods of working,
- amalgamation (merger)
- reconstruction and liquidation.

Functions of RBI –

- **Issue of Currency** – RBI is the sole authority for the issue of currency in India other than one rupee notes and subsidiary coins, the magnitude of which is relatively small. The RBI is also called **"Bank of Issue".**
  Note:
  - **Under the Section 22 of the RBI Act 1934**, RBI has the sole right to issue Bank notes of all denominations except one rupee note.
  - The One Rupees notes, and coins are issued by the **Central Govt., The Ministry of Finance**.

- **Banker to the Government –** As a Bankers to the Govt. RBI performs the following functions:
    - **(i)** It accepts money, makes payment and also carries out their exchange and remittances for the Govt.
    - **(ii)** It makes loans and advances to the States and local authorities.
    - **(iii)** It also sells treasury bills to maintain liquidity in the economy.
    - **(iv)** It makes ways and means advances to the Governments for 90 days.
    - **(v)** It acts as adviser to the Government on all monetary and banking matters.

- **Banker's Bank –** The RBI has extensive power to control and supervise commercial banking system under the RBI Act, 1934 and the Banking Regulation Act, 149.
  (i) The Banks are required to maintain a minimum of Cash Reserve Ratio (CRR) with RBI.
  (ii) The RBI provides financial assistance to scheduled banks and state cooperative banks.
  (iii) Enables banks to maintain their accounts with RBI for statutory reserve requirements and maintenance of transaction balances.

- **Custodian of foreign exchange reserves** – The RBI functions as the custodian and manager of forex reserves, and operates within the overall policy framework agreed upon with Government of India.
    - (i) The ' reserves ' refer to both foreign reserves in the form of gold assets in the Banking Department and foreign securities held by the Issue Department, and domestic reserves in the form of 'bank reserves'.
    - (ii) Foreign exchange reserves are important indicators of ability to repay foreign debt and for currency defense, and are used to determine credit ratings of nations.
    - (iii) Its commonly includes foreign exchange and gold, special drawing rights,(SDRs) and International Monetary Fund(IMF) reserve positions.

    Note: China holds the highest Foreign Exchange Reserve in world.

- **Controller of credit** – Credit control is generally considered to be the principal function of Central Bank. By making frequent changes in monetary policy, it ensures that the monetary system in the economy functions according to the nation's need and goals.
    - (i) It can do so through changing the Bank rate or through open market operations.
    - (ii) It controls the credit operations of banks through quantitative and qualitative controls.
    - (iii) It controls the banking system through the system of licensing, inspection and calling for information.

- **Lender of last resort –** Lender of the last resort means "Central Bank (RBI) helps all the commercial and other banks in time of financial crises.
    - (i) It can come to the rescue of a bank that is solvent but faces temporary liquidity problems by supplying it with much needed liquidity when no one else is willing to extend credit to that bank.
    - (ii) The Reserve Bank extends this facility to protect the interest of the depositors of the bank and to prevent possible failure of the bank, which in turn may also affect other banks and institutions and can have an adverse impact on financial stability and thus on the economy.

6. **What is Monetary Policy? -** Monetary policy is how central banks manage the money supply to guide healthy economic growth. The money supply is credit, cash, checks, and money market mutual funds. The most important of these is credit, which includes loans, bonds, mortgages, and other agreements to repay.

   Objectives of Monetary Policy - The primary objective of central banks is to manage inflation. The second is to reduce unemployment once inflation has been controlled.

   Central bank reduces inflation by raising interest rates, selling securities through open market operations, and other measures to reduce liquidity.

   ✓ **Instrument of Monetary Policy -** There are several direct and indirect instruments that are used in the implementation of monetary policy.

- **Open Market Operations (OMOs):** It refers to buying and selling of government securities by RBI in the open market. It controls the money supply in the economy. When RBI sells govt. securities to banks, the lendable resources of the latter are reduced and banks are forced to reduce or contain their lending, thus curbing the money supply. When money supply is reduced, it result increase in the interest rates tends to limit spending and investment.

  On the other hand, when RBI buys Govt. securities from banks, their lending resources are higher which in turn encourage banks to lend more in the market and lending leads to increase in money supply. When money supply is increased, it result decline in the interest rates tends to promote spending and investment.

- **Cash Reserve Ratio (CRR):** It is the amount of funds that the banks have to keep with the RBI.
  For ex - When a bank's deposits increase by Rs100, and if the cash reserve ratio is 4%, the banks will have to hold additional Rs 4 with RBI and Bank will be able to use only Rs 96 for investments and lending / credit purpose. Therefore, higher the ratio (i.e. CRR), the lower is the amount that banks will be able to use for lending and investment.

- **Statutory Liquidity Ratio (SLR):** It indicates the minimum percentage of deposits that the bank has to maintain in form of gold, cash or other approved securities.

  Note: If SLR increases, banks need to keep more liabilities (deposits) with them and provides less loans to people. If SLR decreases, banks need to keep fewer liabilities (deposits) with them and provides more loans to people. Changes in SLR often influence the availability of resources in the banking system for lending to the private sector.

- **Repo Rate –** It is the rate at which RBI lends money to commercial banks in the event of any shortfall of funds. It is the rate of interest which RBI implements on the short term loans, i.e., from a period ranging between 2 days to 3 months (90 Days). It is used by monetary authorities to control inflation. A reduction in the repo rate helps banks get money at a cheaper rate and vice versa.

- **Reverse Repo Rate –** It is the rate at which the RBI borrows money from commercial banks. Banks are always happy to lend money to the RBI since their money is in safe hands with a good interest. An increase in reverse repo rate can prompt banks to park more funds with the RBI to earn higher returns on idle cash. It is also a tool which can be used by the RBI to drain excess money out of the banking system.

- **Marginal Standing Facility (MSF):** A facility under which scheduled commercial banks can borrow additional amount of overnight money from the Reserve Bank by dipping into their SLR portfolio up to a limit (currently two per cent of their net demand and time liabilities deposits) at a penal rate of interest (currently 100 basis points above the repo rate). This provides a safety valve against unanticipated liquidity shocks to the banking system. MSF rate and reverse repo rate determine the corridor for the daily movement in short term money market interest rates.

- **Bank Rate:** Bank rate is the rate of interest implemented by RBI when it lends money to a public sector bank on a long term basis, i.e. from a period ranging from 90 days to 1 year. Under this definition, Bank Rate and Repo Rate seem to be similar terms because both are the interest rates at which RBI lends money to banks.

  However, the Repo Rate is a short-term measure and refers to short-term loans used for controlling the amount of money in the market, whereas Bank Rate is a long-term measure and is governed by the long-term monetary policies of the RBI. Bank rate is also referred to as the discount rate and is the rate of interest which a central bank charges on the loans and advances to a commercial bank.

Current Policy & Reserve Rates:

1.Repo Rate	6.50%
2.Reverse Repo	6.25%
3.CRR(Cash Reserve ratio)	4.00%
4.SLR (Statutory Liquidity Ratio)	19.50%
5.MSF (Marginal Standing Facility)	6.75%
6.Bank Rate	6.75%

7. The Reserve Bank of India had issued new bank note of denomination Rs. 100 in **lavender-coloured**.
   Key features of the note:
   - The motif of the Rs. 100 bank note is "RANI KI VAV" a heritage site located in Gujarat - on the reverse side.
   - The base colour of the note is lavender.
   - Dimension of the banknote is 66 mm x 142 mm.
   - New note will have signature of Dr. Urjit R. Patel, Governor, Reserve Bank of India.

8. **What is BPS (Basis Points)? -** BPS is an acronym for basic points is used to indicate changes in rate of interest and other financial instrument. 1 BASIC POINT IS EQUAL TO 0.01%. So when we say that repo rate has been increased by 25 bps, it means that the rate has been increased by 0.25%

9. **Marginal Cost of funds-based Lending Rate (MCLR)** – Before the execution of MCLR rate, there was the method to decide the interest rate for loans. This rate is called the Base Rate.
   - Now, all loans (except few) are MCLR (**Marginal Cost of Funds based Lending Rate)** based. This method has replaced the **base rate system**.
   - The MCLR is aimed at bringing uniformity among BRs of banks so that they will be more sensitive to any changes in policy rates of the RBI like Cash Reserve Ratio (CRR), Statutory Liquidity Ratio (SLR), etc.
   - MCLR - It is the **minimum interest rate** of a bank below which it cannot lend.
   - This method of fixing interest rates for advances was introduced by the RBI with effect from **April 1, 2016.**

   Base Rate

   • It was introduced on 1 July 2010 by the RBI.

   • It replaced the benchmark prime lending rate (BPLR), the interest rate which commercial banks charged their most credit worthy customer.

10. **Monetary Policy Committee -** Govt**.** appoints monetary policy committee to help RBI set interest rates.

    - The Monetary Policy Committee (MPC) is a committee of the central bank — Reserve Bank of India, headed by its Governor. It was set up by amending the RBI Act after the government and RBI agreed to task RBI with the responsibility for price stability and inflation targeting. The RBI and the government signed the Monetary Policy Framework Agreement on February 20, 2015.

    Composition of MPC -
    - The MPC will have six members.
    - Three each will be nominated by the government and the RBI and each member will have one vote.
    - While the majority voice of the committee will be final in deciding the interest rates and the RBI will have to accept the verdict, the governor gets a casting vote in case of tie.
    - **Chairman** of the Monetary Policy Committee is Governor of RBI. **Urjit Patel** is the present chairman of MPC**.**

Note: The committee will be guided by the consumer inflation target the government has set in discussion with the RBI — 4% with a margin of two percentage points for the five years ending March 2021.

11. What is SWIFT?

- SWIFT stands for - Society for Worldwide Interbank Financial Telecommunication.
- A SWIFT transfer is a type of international money transfer sent via the SWIFT international payment network.
- This is a kind of network between banks, which can be used to send and receive messages.
- In fact, many banks and financial services providers and institutions use it, and through them, the payment becomes easily and fast.
- For every bank, there is a special swift code that works for its identification.
- The SWIFT network does not actually transfer funds, but instead, it sends payment orders between institutions' accounts, using SWIFT codes.
- A SWIFT code is an international bank code that identifies banks worldwide.
- It's also known as a Bank Identifier Code (BIC). CommBank uses SWIFT codes to send money to overseas banks.
- SWIFT code consists of 8 or 11 characters.

SWIFT Code consist 8 or 11 characters

- When code is of 8 digits, it is referred to primary office
- 1st 2nd 3rd and 4th digit – bank code
- 5th and 6th digits – country code
- 7th and 8th digits– location code
- 9th 10th and 11th digits– branch code (optional).

12. What is Fiscal Policy? It is the process of policy decision making in relation to the financial structure of the government receipts and payments. It includes the action strategies on tax policy, revenue and expenditure, loans and borrowing, deficit financing etc. Primarily it is the budgetary policy of the Govt. and is reflected through the annual budget formulation.

The Objective of the policy are –

- Mobilsation of resources for meeting the financial requirements for economic growth.
- Improve savings & investment rate to improve the capital formation.
- To initiate steps to remove poverty and unemployment and improve the standard of living of the people.
- To reduce regional disparities.

13. History of Banking in India – Banking system commenced in India with the foundation of Bank of Hindustan in Calcutta (now Kolkata) in 1770 which ceased to operate in 1832. After that many banks came but some were not successful like –

✓ General Bank of India (1786-1791)
✓ Oudh Commercial Bank (1881-1958) – the first commercial bank of India.

Whereas some are successful and continue to lead even now like –

✓ Allahabad Bank (est. 1865)
✓ Punjab National Bank (est. 1894, with HQ in Lahore (that time)
✓ Bank of India (est. 1906)
✓ Bank of Baroda (est. 1908)
✓ Central Bank of India (est. 1911)

➢ While some others like Bank of Bengal (est. 1806), Bank of Bombay (est. 1840), Bank of Madras (est. 1843) merged into a single entity in 1921 which came to be known as **Imperial Bank of India.**
➢ **Imperial Bank of India** was later renamed in 1955 as the State Bank of India.

- In April 1935, Reserve Bank of India was formed based on the recommendation of Hilton Young Commission (setup in 1926).

The Indian banking sector is broadly classified into scheduled banks and non-scheduled banks. The scheduled banks are those which are included under the 2nd Schedule of the Reserve Bank of India Act, 1934.

The scheduled banks are further classified into: nationalised banks; State Bank of India and its associates; Regional Rural Banks (RRBs); foreign banks; and other Indian private sector banks. The term commercial banks refer to both scheduled and non-scheduled commercial banks which are regulated under the Banking Regulation Act, 1949.

14. Nationalization - Nationalization is the process of taking a private industry or private assets into public ownership by a national government or state.
Need for nationalization in India:
a) The banks mostly catered to the needs of large industries, big business houses.
b) Sectors such as agriculture, small scale industries and exports were lagging behind.
c) The poor masses continued to be exploited by the moneylenders.
Following this, in the year 1949, 1st January the Reserve Bank of India was nationalized.

- **14 commercial banks were nationalized in 19th July, 1969**. Smt. Indira Gandhi was the Prime Minister of India, during in 1969. These were –

1. Central Bank of India
2. Bank of India
3. Punjab National Bank
4. Bank of Baroda
5. United Commercial Bank
6. Canara Bank
7. Dena Bank
8. United Bank
9. Syndicate Bank
10. Allahabad Bank
11. Indian Bank
12. Union Bank of India
13. Bank of Maharashtra
14. Indian Overseas Bank

Six more commercial banks were nationalized in April 1980. These were:

1. Andhra Bank
2. Corporation Bank
3. New Bank of India
4. Oriental Bank of Commerce
5. Punjab & Sindh Bank
6. Vijaya Bank.

Meanwhile on the recommendation of **M.Narsimhan committee, RRBs (Regional Rural Banks)** were formed on Oct 2, 1975. The objective behind the formation of RRBs was to serve large unserved population of rural areas and promoting financial inclusion.

15. Public Sector Banks – Public Sector Banks (PSBs) are banks where a majority stake (i.e. more than 50%) is held by a government. The shares of these banks are listed on stock exchanges. There are a total of 27 PSBs in India [21 Nationalised banks + 6 State bank group (SBI + 5 associates)]. In 2011 IDBI bank and in 2014 Bharatiya Mahila Bank were nationalized with a minimum capital of Rs 500 cr. **For Ex** – Bank of Baroda, Punjab National Bank, Bank of India, etc.

16. Private Banks – The private-sector banks in India represent part of the indian banking sector that is made up of both private and public sector banks. The "private-sector banks" are banks where greater parts of stake or equity are held by the private shareholders and not by government. **For ex –** ICICI Bank, HDFC Bank, Axis Bank, etc.

17. Regional Rural Banks - Regional Rural Banks are local level banking organizations operating in different States of India. They have been created with a view to serve primarily the rural areas of India with basic banking and financial services. However, RRB's may have branches set up for urban operations and their area of operation may include urban areas too. The Government of India, the concerned State Government and the bank, which had sponsored the RRB contributed to the share capital of RRBs in the proportion of 50%, 15% and 35%, respectively.

18. What are the Sources of Bank's Income?

A bank is a business organisation engaged in the business of borrowing and lending money. A bank can earn income only if it borrows at a lower rate and lends at a higher rate. The difference between the two rates will represent the costs incurred by the bank and the profit. Bank also provides a number of services to its customers for which it charges commission. This is also an important source of income.
The followings are the various sources of a bank's profit:

- ✓ **Interest on Loans –** The main function of a commercial bank is to borrow money for the purpose of lending at a higher rate of interest.
  - Bank grants various types of loans to the industrialists and traders. The yields from loans constitute the major portion of the income of a bank.
  - The banks grant loans generally for short periods. But now the banks also advance call loans which can be called at a very short notice.
  - Such loans are granted to share brokers and other banks. These assets are highly liquid because they can be called at any time. Moreover, they are source of income to the bank.

- ✓ **Interest on Investments –** Banks also invest an important portion of their resources in government and other first class industrial securities.

  - The interest and dividend received from time to time on these investments is a source of income for the banks.
  - Bank also earn some income when the market prices of these securities rise.

- ✓ **Discounts -** Commercial banks invest a part of their funds in bills of exchange by discounting them. Banks discount both foreign and inland bills of exchange, or in other words, they purchase the bills at discount and receive the full amount at the date of maturity. For instance, if a bill of Rs. 1000 is discounted for Rs. 975, the bank earns a discount of Rs. 25 because bank pays Rs. 975 today, but will get Rs. 1000 on the due date. Discount, as a matter of fact, is the interest on the amount paid for the remaining period of the bill. The rate of discount on bills of exchange is slightly lower than the interest rate charged on loans and advances because bills are considered to be highly liquid assets.

- ✓ **Commission, Brokerage, etc. -** Banks perform numerous services to their customers and charge commission, etc., for such services. Banks collect cheques, rents, dividends, etc., accepts bills of exchange, issue drafts and letters of credit and collect pensions and salaries on behalf of their customers. They pay insurance premiums, rents, taxes etc., on behalf of their customers. For all these services banks charge their commission. They also earn locker rents for providing safety vaults to their customers. Recently the banks have also started underwriting the shares and debentures issued by the joint stock companies for which they receive underwriting commission.

19. What is NBFC?

Non-bank financial companies (NBFCs) are financial institutions that provide banking services without meeting the legal definition of a bank, i.e. one that does not hold a banking license. These institutions typically are restricted from taking deposits from the public depending on the jurisdiction. Nonetheless, operations of these institutions are often still covered under a country's banking regulations.

NBFCs are doing functions similar to banks. What is difference between banks & NBFCs?
NBFCs lend and make investments and hence their activities are similar to that of banks; however there are a few differences as given below:
i. NBFC cannot accept demand deposits;
ii. NBFCs do not form part of the payment and settlement system and cannot issue cheques drawn on itself;
iii. Deposit insurance facility of Deposit Insurance and Credit Guarantee Corporation is not available to depositors of NBFCs, unlike in case of banks.

20. What is KYC?- It is a process by which banks obtain information about the identity and address of the customers. This process helps to ensure that banks' services are not misused. The KYC procedure is to be completed by the banks while opening accounts and also periodically update the same.

KYC guidelines were introduced in year 2002 by RBI and all banks were asked to make all accounts KYC compliant by 31 December 2005. These guidelines are issued under Section 35 A of the Banking Regulation Act, 1949.

KYC documents: These are the documents used to establish customer's identity. Banks need two types of document one for identity another for address.

- **Individual:** Identity: Pan card, Passport, Aadhar card, Voter id card, Driving license, any other identity card upto bank's satisfaction, letter from recognised public authority establishing identity of the customer.

- **Address:** Telephone bill, electricity bill, Aadhar card, voter id card, Driving license, any other identity card upto bank's satisfaction, letter from recognised public authority establishing address and identity of the customer, letter from employer, letter from landlord along with kyc of landlord.

Note: If a person is unable to produce necessary documents mentioned, a relaxation is extended if:
1. Balance<Rs. 50000 for all a/cs taken together
2. Total credit in all a/cs for a year < Rs. 1,00,000

Such customer needs to be introduced from an existing customer at least six months old and having full KYC. Also, transactions are to be stopped in such a/cs once Balance reaches Rs. 40,000 or total credit reaches Rs. 80,000.

21. What is Anti Money Laundering? Money laundering is the process by which the origin of funds gained by illegal means is concealed, and made to appear such that they have been derived from legitimate sources and inserting them back into economic circulation. Money laundering also covers financial transactions where the end use of funds goes for financing terrorism irrespective of the source of the funds.

The prevention of money laundering act, 2002 was enacted to prevent money laundering and deal with those who are guilty of money laundering. The PMLA seeks to combat money laundering in India and has three main objectives:
(i) To prevent and control money laundering
(ii) To confiscate and seize the property obtained from the laundered money; and
(iii) To deal with any other issue connected with money laundering in India.
Case of AML – DMK's Kanimozhi, A Raja and Dayalu Ammal were charged under anti-money-laundering act for their involvement in 2G scam.

22. What is Financial Inclusion? Financial inclusion is a concept of making available banking/financial services to a vast section of low income groups and weaker sections at an affordable price. The objective of financial inclusion is to provide the service of basic banking products to the unserved masses of the country, aiming towards inclusive economic growth.

The need for financial inclusion raised when even after years of Independence 40% population lacked access to basic banking products. And apart from poverty, illiteracy and lack of regular income the major barriers are lack of reach, high cost of transactions and time.

Regulatory steps taken by Reserve Bank of India in this regard-

- BSBDA (Basic Savings Bank Deposit Account)
  – No requirement for any minimum balance.
  – No limit on the number of deposits while restriction on withdrawal to 4.

- Relaxation in KYC guidelines
- Use of extensive technology in banking

- Appointing business correspondents and business facilitators
- Opening of branches in unbanked rural areas
- Licensing of differentiated banks like Payment Bank and Small Bank

Schemes launched by Government of India to promote financial inclusion are-

- **PMJDY (Pradhan Mantri Jan Dhan Yojana)** – The main features of this scheme are
  (i) The slogan of the scheme is "Mera Khata – Bhagya Vidhaata"
  (ii) The scheme provided Rs 5,000 overdraft facility for Aadhar – linked accounts and RuPay Debit Card for all account holders
  (iii) An accident insurance cover of up to Rs. 1 Lakh is also provided.

- **Pradhan Mantri Suraksha Bima Yojana** – The main features of this scheme are
  (i) For personal accident insurance
  (ii) Age group: 18-70 years
  (iii) Sum assured: Rs 2 lakh, while premium: Rs 12 per annum

- **Pradhan Mantri Jeevan Jyoti Bima Yojana** – The main features of this scheme are
  (i) For life insurance
  (ii) Age group: 18-50 years
  (iii) Sum assured: Rs 2 lakh, while premium: Rs 330 per annum

- **Atal Pension Yojana** – The main features of this scheme are
  (i) For pension purpose
  (ii) Age group: 18-40 years
  (iii) Fixed pension: Rs 1000-5000 per month at age of 60 years.

  Banking products that play a crucial role in the expansion of Financial Inclusion:
  a. Savings-cum-overdraft account
  b. Remittance products
  c. Savings product
  d. Kisan credit card (KCC) or General credit card (GCC)

  Fund Allocation: Reserve Bank of India recently created a new Financial Inclusion Fund (FIF) **with funding of Rs 2000 Crore** for expanding the reach of banking services. The new Financial Inclusion Fund is created by merging Financial Inclusion Fund and Financial Inclusion Technology Fund into a single Fund — Financial Inclusion Fund (FIF). **The new FIF will be maintained by NABARD.**

Benefits of Financial Inclusion-

✓ It offers potential for increasing banking business by bringing more and more customers to bank
✓ It seeks to improve the standard of living of vast majority of poor persons.
✓ It enhances the number of Bankable customers.
✓ It boosts the growth of Banking Business.
✓ It can bridge the Urban-Rural divide.

23. What is a DeMat Account?

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

✓ In India, a DeMat account is a type of banking account that dematerializes paper-based physical stock shares. The DeMat account is used to avoid holding of physical shares: the shares are bought as well as sold through a stock broker.

In this case, the advantage is that one does not need any physical evidence for possessing these shares. All the things are taken care of by the DPs.

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

24. **What is Derivative? -** A derivative is a financial contract that derives its value from another financial product/commodity (say spot rate) called underlying (that may be a stock, stock index, a foreign currency, a commodity). Forward contract in foreign exchange transaction, is a simple form of a derivative.

25. **What is a foreign exchange reserve?** Foreign exchange reserves (also called Forex reserves) in a strict sense are only the foreign currency deposits and bonds held by central banks and monetary authorities. However, the term in popular usage commonly includes foreign exchange and gold, SDRs and IMF reserve positions.

26. **What is Bancassurance ? -** Bancassurance means distribution of financial products particularly the insurance policies (both the life and non-life), also called referral business, by banks as corporate agents, and through their branches located in different parts of the country.

27. **What is FII? -** FII (Foreign Institutional Investor) used to denote an investor, mostly in the form of an institution.

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

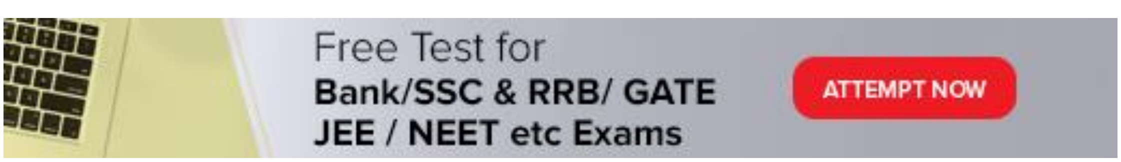
28. **What is FDI? –** FDI (Foreign Direct Investment) occurs with the purchase of the "physical assets or a significant amount of ownership (stock) of a company in another country in order to gain a measure of management control" (Or) A foreign company having a stake in a Indian Company.

29. **What is SIDBI? -** The Small Industries Development Bank of India is a state-run bank aimed to aid the growth and development of micro, small and medium scale industries in India.
    - It was set up in 1990 through an act of parliament; it was incorporated initially as a wholly owned subsidiary of Industrial Development Bank of India. **Headquarter – Lucknow.**

30. **What is NABARD? -** NABARD was established on the recommendations of Shivaraman Committee on 12 July 1982 to implement the National Bank for Agriculture and Rural Development Act 1981. Its headquarter located in Mumbai. Present Chairman is **Dr. Harsh Kumar Bhanwala.**

    - It replaced the Agricultural Credit Department (ACD) and Rural Planning and Credit Cell (RPCC) of Reserve Bank of India, and Agricultural Refinance and Development Corporation (ARDC).
    - It is one of the premiere agencies to provide credit in rural areas. NABARD is set up as an apex Development Bank with a mandate for facilitating credit flow for promotion and development of agriculture, small-scale industries, cottage and village industries, handicrafts and other rural crafts.

31. **What is SEBI?**
    - ✓ SEBI is the regulator for the Securities Market in India. Head office located in **Mumbai**.
    - ✓ Originally set up by the Government of India in 1988, it acquired statutory form in 1992 with SEBI Act 1992 being passed by the Indian Parliament.
    - ✓ **Ajay Tyagi** is the present Chairman of SEBI.
    - ✓ **Note:** The Forward Markets Commission (FMC) is the chief regulator of commodity futures markets in India was merged with the Securities and Exchange Board of India (SEBI) on 28 September 2015.



32. What is SENSEX and NIFTY?
SENSEX is the short term for the words "Sensitive Index" and is associated with the Bombay (Mumbai) Stock Exchange (BSE). The SENSEX was first formed on 1-1-1986 and used the market capitalization of the 30 most traded stocks of BSE.

NSE - Whereas NSE has 50 most traded stocks of NSE.

Note:
- SENSEX IS THE INDEX OF BSE and NIFTY IS THE INDEX OF NSE.
- Both will show daily TRADING MARKS. Sensex and Nifty both are an "index”.
- An index is basically an indicator it indicates whether most of the stocks have gone up or most of the stocks have gone down.

33. What is Recession? A true economic recession can only be confirmed if GDP (Gross Domestic Product) growth is negative for a period of two or more consecutive quarters.

34. What is Sub-prime crisis? The Subprime crisis is due to sub-prime lending. These are the loans given to the people having low credit rating.

35. What is IPO? IPO is Initial Public Offering. This is the f irst offering of shares to the general public from a company wishes to list on the stock exchange.

36. What is Revenue deficit? It defines that, where the net amount received (by taxes & other forms) fails to meet the predicted net amount to be received by the government.

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

38. What is Disinvestment? The Selling of the government stake in public sector undertakings.

39. What is Fiscal Deficit? It is the difference between the government’s total receipts (excluding borrowings) and total expenditure.

40. What are Mutual funds? Mutual funds are investment companies that pool money from investors at large and offer to sell and buy back its shares on a continuous basis and use the capital thus raised to invest in securities of different companies.
- The mutual fund will have a fund manager that trades the pooled money on a regular basis. The net proceeds or losses are then typically distributed to the investors annually.

41. What is NPA? – An asset (loan), including a leased asset, becomes non performing when it stops generating income for the bank.

Note: Once the borrower has failed to make interest or principle payments for 90 days the loan is considered to be a non-performing asset. It had been decided to adopt the '90 days' overdue' norm for identification of NPA, from the year ending March 31, 2004.

The conditions under which an asset becomes an NPA are as follows:
1. If interest or installment or both of principal remain overdue for a period of **more than 90 days** in respect of a term loan.
2. If Overdraft/ Cash Credit for an account remains **‘out of order**’.
3. If bill remains overdue for a period of **more than 90 days** in the case of bills purchased and discounted.
4. If installment of principal or interest **remains overdue for two crop seasons for short duration crops / one crop season for long duration crops.**

ASSET CLASSIFICATION: RBI has classified nonperforming assets into the following **three categories** based on the period for which the asset has remained nonperforming and the realisability of the dues:

- **Substandard Assets**: With effect from March 31, 2005, a substandard asset is one, which has remained NPA for **a period less than or equal to 12 months.**
- **Doubtful Assets:** With effect from March 31, 2005, an asset is classified as doubtful if it has remained in the sub-standard category for a **period of 12 months**.
- **Loss Assets**: A loss asset is one where loss has been identified by the bank or internal or external auditors or the RBI inspection but the amount has not been written off wholly. In other words, such an asset is considered **uncollectible** and of such little value that its continuance as a bankable asset is not warranted although there may be some rescue or recovery value.

Reasons for NPA:

✓ **Macroeconomic situations:** When a country is not growing on expected lines i.e. **GDP i**s not growing, **no demand fo**r goods, then industry suffers and not able to payback.
✓ **Increased Interest Rate**: The loan is taken at a time when interest rates were much higher than the present interest rate.
✓ When some **sectors of the economy are doing bad** like Infrastructure, Power due to Land acquisition and forest related issues and environment clearances.
✓ **Willful defaulting**: When one is able to pay but is not paying like Vijay Mallya.

Now **what does the Bank / FIs do?**

Firstly the Bank /FIs inspect whether there are **genuine reasons or not** for non-repayment of loans. Here genuine reasons include factors that are beyond one's control and certain internal, external reasons. In this case, for the revival of the corporates as well as for the safety of the money lent by the banks and FIs, timely support through restructuring is done. This system of restructuring of loans is called as **Corporate Debt Restructuring.**

What **if the case is not genuine?** In this case Bank / FIs may

- refer the case to Debt Recovery Tribunal (DRT).
- refer to Asset Reconstruction Companies (ARC) as per SARFAESI Act, 2002.
- file winding up petition in the court of law.
- file criminal case against the willful defaulter.

Let's first take the genuine case:
1. Corporate Debt Restructuring:

- It has been implemented by RBI from August 2001.
  - It covers only multiple banking accounts or syndicated / consortium loan accounts of corporate borrowers where outstanding exposure is Rs 10 crore or more.
  - The accounts are eligible for consideration under the CDR system provided at least 75% of the creditors (by value of loan) and 60% of creditors (by number of loan) agree to the proposal.

Note: The scheme will not apply to accounts involving only one financial institution or one bank..

In case if the reason of non-repayment is not genuine then Bank / FIs can have following options:

2. Debt Recovery Tribunal (DRT):

- These are established in various cities **under "Recovery of Debts due to Banks and Financial Institutions (RDDBF) Act, 1993".**
- Banks / FIs can **file an application with DRT** or recover dues from persons / companies.
- As per the act the issue is to be **settled in 6 months.**
- In this case the **success rate is around 20-30%.**

3. Asset Reconstruction Companies (ARC):

- This is formed under the "**Securitization and Reconstruction of financial Assets and Enforcement of Security Interest (SARFAESI) Act, 2002".**
- It empowers the Banks & FIs to recover NPA**s without the intervention of the court.**
- It was brought to **overcome the inefficiency of DRTs.**
- Under this, Banks / FIs have the **power to sell their Bad loans.**
- The loans which are of **Rs 1 lakh and more** fall in this category.
- **RBI has the power to issue licence to ARCs.** Asset Reconstruction Company (india) Ltd is the first ARC established in India.

4. Filing of Criminal Cases: Criminal cases can be filed against the borrower if the banks feel the non-repayment of the debt is due to 'wilful default'. Example is **Vijay Mallya** defaulting on **SBI, UCO, United Bank of India**.

5. Winding up petitions: Under the Companies Act, if a borrower fails to pay back the loan, a petition can be filed. For this a **Official liquidator** is appointed. It is a **long procedure** and **may not give satisfactory results** to banks.

Apart from the steps described above Banks can take **other prudential steps**, which are:
1.Corrective Action Plan: As per RBI Before the loan becomes an NPA, classify them as

- **SMA-0**(Special Mention Account) = upto 30 days.
- **SMA-1** = 31 to 60 days.
- **SMA-2** =61 to 90 days.

In order to take corrective actions.
2. Joint lenders' forum: RBI has mandated to constitute a Joint Lenders' Forum at **SMA-2 stage,** if the loan exposure is more than Rs 100 Crore or more.

3. Strategic Debt Restructuring: RBI has announced to **convert debt into equity** i.e. Bank will assume the role of management (ownership).

42. What is BASEL III Norms?

The Basel committee on Banking Supervision (BCBS) was formed in 1974 by a group of central bank governors of G-10 countries. Later on the committee was expanded to include members from nearly 30 countries. BCBS in 1988 released Basel-I accords and subsequently to overcome the loopholes in it Basel –II was released in 2004.

BCBS released a comprehensive reform package in Dec 2010, which is called as Basel –III, a global regulatory framework for more resilient banks and banking systems. These recommendations cover almost all the nations. And it amend the Basel -2 guidelines, also introduces some new concepts and recommendations.

Need For BASEL-3 Worldwide: Banks mainly deals with three kind of risks. These are

1. Credit risk
2. Market risk
3. Operational risk

What is Credit risk? It is basically the risk of loss, arising when a borrower is not capable of paying back the loan as promised. Such borrowers are also known as Sub-prime borrowers.

Now let's go back to the year 2008, when all of us observed /witnessed the Global financial crisis, which originated in US because of these Subprime borrowers and this crisis thereafter spilled over in the other markets as well. It created financial crisis throughout the world. Thus a need was felt for more stringent banking regulation worldwide.

Now In India what is the need to adopt such norms when we saw our banking system standing firm even during the crisis.

Need for Basel –III in INDIA

- **Firstly ,**The most important reason is that as India connects with the rest of the world, and as increasingly Indian banks go abroad and foreign banks come on to our shores, we cannot afford to have a regulatory deviation from global standards. Any deviation will hurt us.

- **Secondly,** if we ought to maintain a low standard regulatory regime this will put Indian banks at a disadvantage in global competition.
  Therefore, It is becomes important that Indian banks have the cushion provided by this risk management system to withstand shocks from external systems, especially as we deepen our links with the global financial system.

In India, Basel III regulations has been implemented from April 1, 2013 in phases and it will be fully implemented as on **March 31, 2019.**

The pillars of BASEL norms:

- **Capital adequacy requirements**
- **Supervisory review**
- **Market discipline**

Recommendations of Basel –III

- Firstly, Basel -3 recommended that the Capital Adequacy ratio(CAR) be increased to 8% internationally, while in INDIA it is 9%.
- **Capital Adequacy ratio (CAR),** also known as Capital to Risk (weighted) Assets Ratio (CRAR), is a ratio of a bank's capital to its risk.
- Capital is the money a bank receives in exchange for issuing shares.This capital is further classified into two – Tier 1 and Tier 2 capital.

CAR = (Tier 1 capital + Tier 2 capital)/ Risk weighted Assets

Tier 1	**Tier 2**
It consists of common shares	Debts (bond)
Preferential Shares	Optionally fully convertible debentures
These are highly liquid instruments i.e. can be sold easily to gather cash	Less liquid

Out of the 9% (of RWA) capital adequacy requirement, 7 % (of RWA) has to be met by Tier 1 capital while the remaining 2%(of RWA) by Tier 2 capital.

Risk weighted assets– Every bank assigns its assets some weight-age based on the risk involved. Thus apply a weight percentage to each of its assets.

For example – Lets say a bank lends Rs 100 to a person for home loan and Rs 100 to a person to start a new company.

Bank's total asset = Rs 100 + Rs 100 = Rs 200

Let's imagine home loan has high probability of being repaid than the loan to person to start a company.

i.e. Risk Weight of Home Loan = 50% and Risk Weight of loan for company = 90%

Risk Weighted Assets of Bank = 50% of 100 + 90% of 100 = 50 + 90 = Rs 140.So out of total assets worth Rs 200, Rs 140 are risk weighted assets.

Bank need 9% of RWA as Capital. Bank need 9% of 140 = Rs 12.6 as Capital.

Means, out of Rs 200 that a bank lends, Rs 12.6 must be funded with Capital. Rest, Rs 187.4 can be from the money that bank borrowed.

Secondly it also introduces the concept of leverage ratio, it measures the ratio of banks total assets to bank's capital. Under the new set of guidelines, RBI has set the leverage ratio at 4.5% (3% under Basel III).

Leverage Ratio = Capital/Total Asset

Concept of leverage –

for e.g. - If you have Rs 100 and you invest them and earns a profit of 10% i.e. you have profit of Rs 10 on Rs 100.This is called non leverage profit.

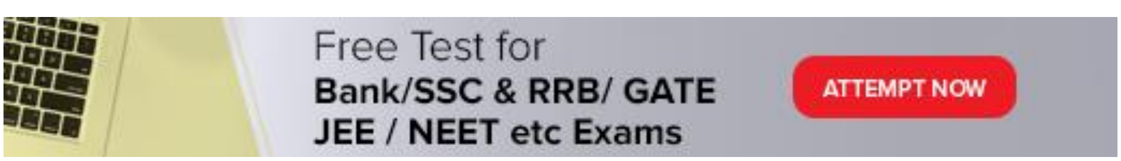
Now again you have Rs 100 and you borrow Rs 400 and invest Rs 500, earns a profit of 10% i.e. you earn Rs 50 on your Rs 100. This is called leverage profit.

With Higher leverage, Bank's Profit/Loss = Higher = Higher Risk also!

So now leverage ratio of 4.5% means for every Rs bank funds itself with, it can lend up to 22.22 Rs.

Challenges for Its Implementation in India

1. **Capital** – Since nearly 2.4 lakh crore rupees are required for its implementation in India.
2. **Liquidity**-During the global crisis 2008, the apparently strong banks of the world ran into difficulties when the interbank wholesale funding market witnessed a seizure. Thus in Indian context, it would mean an additional burden of maintaining liquidity along with the SLR requirement.
3. **Technology**- BCBS is in the process of making significant changes in standard approach for computing RWAs for all three risk areas. Banks may need to upgrade their systems and processes to be able to compute capital requirements based on revised standard approach.
4. Skill development -Implementation of the new capital accord requires higher specialized skills in banks.



5. Governance-One can have the capital, the liquid assets and the infrastructure. But corporate governance will be the deciding factor in the ability of a bank to meet the challenges. Strong capital gives financial strength, it cannot assure good performance unless backed by good corporate governance.

Steps Taken by Government

- GOI has allowed banks to access markets to raise capital while maintaining a minimum 52% shareholding.
- Govt. also launched a scheme called INDRADHANUSH to revamp PSBs. This scheme seeks to improve the efficiency and functioning of banks thereby reducing the bad assets. And also plans to infuse Rs 70,000 crore in the banking system over next 5 years.
- In this regard government also announced two banks as DSIBs i.e. SBI and ICICI, based on the criteria of size, interconnectedness, complexity and substitutability.

43. **Negotiable Instrument Act, 1881 –** Negotiable instruments are written orders or unconditional promises to pay a fixed sum of money on demand or at a certain time. Negotiable instruments may be transferred from one person to another, who is known as a holder in due course. Upon transfer, also called negotiation of the instrument, the holder obtains full legal title to the instrument. Negotiable instruments may be transferred by delivery or by endorsement and delivery. For e.g. promissory notes, bills of exchange, cheques, drafts, certificates of deposit are all examples of negotiable instruments.

    - **Cheque** - Cheque is an instrument in writing containing an unconditional order, addressed to a banker, sign by the person who has deposited money with the banker, requiring him to pay on demand a certain sum of money only to or to the order of certain person or to the bearer of instrument."
    - **Bearer Cheque -** The bearer cheque is payable to the person specified therein or to any other else who presents it to the bank for payment. However, such cheques are risky, this is because if such cheques are lost, the finder of the cheque can collect payment from the bank.
    - **Order Cheque -** It is the one which is payable to a particular person. In such a cheque the word 'bearer' may be cut out or cancelled and the word 'order' may be written. The payee can transfer an order cheque to someone else by signing his or her name on the back of it.
    - **Crossed cheque:** When a cheque is crossed, the holder cannot encash it at the counter of the bank. The payment of such cheque is only credited to the bank account of the payee. Crossed cheque is done by drawing two parallel lines across top left corner of the cheque, with or without writing 'Account payee' in the space between the lines.
    - **A self cheque:** It is written by the account holder as pay self to receive money in physical form from the branch where he holds his account. This can be alternated by using an ATM card.
    - **Post-dated cheque (PDC):** A PDC is a form of a crossed or account payee bearer cheque but post-dated to meet the said financial payment at a future date. The cheque is valid from the date of issue to three months.
    - **A Banker's cheque:** A banker's cheque is issued by a bank drawing money from its own funds rather than that from an account holder's. Banker's cheque is issued after the bank verifies the account status of the requestor and the amount is immediately deducted from the customer's account. A banker's cheque cannot be dishonored as in the case of a normal cheque, when an account holder has insufficient funds in his/her account. Though different from a normal cheque it requires clearing too.
    - **Stale Cheque** - If a cheque is presented for payment after **three months** from the date of the cheque it is called stale cheque. A stale cheque is not honoured by the bank.

44. **Demand Drafts –** A DD is a negotiable instrument similar to a bill of exchange. It is used for effecting transfer of money. A bank issues a DD to a client (Drawer), directing another bank (Drawee) or one its own branches to pay a certain sum to the specified party (Payee) directly without involving the drawing bank after presenting.

Some of the differences between a cheque and a DD are:

- ✓ A cheque is issued by an individual, whereas a DD is issued by a bank.
- ✓ The amount mentioned on the DD is collected by the bank from the drawer prior to drawing the DD, whereas the amount mentioned on the cheque is debited only when the cheque is presented for payment.
- ✓ The payment of cheque can be stopped by the drawer of the cheque, whereas the payment of a DD cannot be stopped.
- ✓ A cheque can bounce or be dishonoured, but a DD cannot be bounced and dishonored because it is already paid. A DD will bounce only when the drawee bank does not have enough funds to honour the cheque.
- ✓ A cheque can be made payable either to a bearer or to order. But a DD is always payable to order of certain person or organization, it cannot be a bearer draft

45. **Cheque Truncation System –** Cheque Truncation System (CTS) or Image-based Clearing System (ICS), in India, is a project undertaken by the Reserve Bank of India (RBI) in 2008, for faster clearing of cheques.

    Cheque Truncation System (CTS) is a cheque clearing system undertaken by the Reserve Bank of India (RBI) for faster clearing of cheques. Truncation is the process of stopping the physical movement of cheques which is replaced by electronic images and associated MICR line of the cheque.

    Advantage of CTS –

    - Since there is no physical movement of cheques, there is no fear of loss of cheque in transit.
    - Usage of CTS cheques also means quicker clearance, shorter clearing cycle and speedier credit of the amount to your account.
    - Depending on whether the cheque is local or outstation, the cheque can get cleared on the same day or within 24 hours.
    - The biggest advantage is that CTS-compliant cheques are more secure than old cheques and, hence, less prone to frauds. Also, as the system matures, it is proposed to integrate multiple locations and reduce geographical restrictions in cheque clearing.

46. **Small Finance Banks -** The purpose of the small banks will be to provide a whole suite of basic banking products such as deposits and supply of credit, but in a limited area of operation. The aim of small banks is to increase financial inclusion in the country. The small bank shall be registered as a public limited company under the Companies Act, 2013.

    Committee on Small Banks - The applications will be analyzed and evaluated by an External Advisory Committee (EAC). The EAC for small banks will be chaired by **Usha Thorat**, former deputy governor, RBI.

    RBI granted 'in-principle' approval to the 10 applicants to set up Small Finance Banks. The central bank had received 72 applications for setting up small finance bank licences.

Key points

- ✓ **Capital requirement** - The minimum paid-up capital requirement for small banks is **Rs. 100 crore.**
- ✓ As per the guidelines, the promoters' initial minimum contribution will be at least **40 % of the minimum** capital, to be locked in for a period of 5 years.
- ✓ Small banks will offer **both deposits as well as loan products.**
- ✓ They cannot set up subsidiaries to undertake non-banking financial services activities.
- ✓ The maximum loan size and investment limit exposure to single/group borrowers/issuers would be restricted to **15 per cent of** total capital funds.
- ✓ Loans and advances of up to **Rs 25 lakhs**, primarily to micro enterprises, should constitute at least 50 per cent of the loan portfolio.
- ✓ For the first three years, 25 per cent of branches should be in unbanked rural areas.
- ✓ The foreign shareholding in the bank would be as per the extant FDI policy.
- ✓ For the initial three years, prior approval will be required for branch expansion.

List of Small Finance Bank working in India –

- Capital Small Finance Bank (India's first small finance bank)

- Equitas Small Finance Bank
- Utkarsh Small Finance Bank
- Suryoday Small Finance Bank
- Ujjivan Small Finance Bank
- ESAF Small Finance Bank
- Au Small Finance Bank
- Fincare Small Finance Bank
- North East Small Finance Bank
- Jana Small Finance Bank

47. Payment Banks - The main objective of payment banks is to increase financial inclusion in the country via a primary focus on domestic payments services by providing small savings accounts. Payments banks will be used only for transaction and deposits purposes. Unlike small banks, payments banks cannot lend money.

List of Payments Bank working in India –

- Airtel Payment Bank – Joint venture b/w **Bharti Airtel and Kotak Mahindra Bank.**
- Paytm Payment Bank – Paytm
- India Post Payment Bank - 100% owned by **Govt. of India**.
- Fino Payment Bank - The Fino has partnered with the ICICI Bank.
- Aditya Birla Idea Payment Bank - Joint venture b/w **Idea and Vodafone**
- Jio Payment Bank - Joint venture b/w **Reliance and SBI.**

Committee on Payment Banks - These applications are analyzed and evaluated by an External Advisory Committee (EAC). The EAC Committee for Payment Banks is chaired by **Dr. Nachiket Mor,** Director, Central Board of the Reserve Bank of India.

Key Points:

- ✓ **Capital requirement** - The minimum paid-up capital requirement for payments banks **is Rs. 100 crore.**
- ✓ The Reserve Bank grants a license for commencement of banking business under Section 22(1) of the Banking Regulation Act, 1949.
- ✓ RBI's "in-principle" nod will be valid for a period of 18 months, during which time the applicants have to comply with the requirements under the Guidelines and fulfill the other conditions as may be stipulated by the Reserve bank.
- ✓ As per the guidelines, the promoters' initial minimum contribution will be at least 40 % of the minimum capital, to be locked in for a period of 5 years.
- ✓ The payments bank will need to invest 75 percent of its funds in government securities.
- ✓ Payments banks can open small savings accounts and accept **deposits of up to Rs.1 lakh** per individual customer and provide remittance services. Hence, the balance at the close of business on any day should not exceed Rs.1 lakh per customer.
- ✓ Payments banks can issue debit cards but they are not eligible to provide credit card facilities.
- ✓ Payments Banks are allowed to set up their own ATMs (automated teller machines).
- ✓ Payments banks will have to invest in government securities with a maturity of up to 1 year.

Prime Minister launches India Post Payments Bank – Prime Minister Narendra Modi launched the India Post Payments Bank (IPPB) on 1st September 2018 in New Delhi.

Key points –

- IPPB was the third entity to receive payments bank permit after Airtel and Paytm.
- IPPB was incorporated on August 17, 2016 under Companies Act, 2013 as a public limited company.
- India Post Payments Bank has been set up under the Department of Posts, Ministry of Communication, with 100% equity owned by Government of India.

- It started operations on 30 January, 2017, by opening two pilot branches, one at Raipur and the other at Ranchi.
- Suresh Sethi is MD & CEO of India Post Payments Bank (IPPB).
- IPPB would be available through 650 branches and 3,250 access points.

Key features

- As per the guidelines set by the RBI, Payments Banks cannot accept more than Rs 1 lakh in deposits and cannot provide loans and insurance.
- India Post Payments Bank will offer 4 per cent interest rate in savings accounts.
- India Post Payments Bank can offer forex services at charges lower than banks.
- QR card is another service the IPPB is offering. With the help of a QR card, you can access your bank account and make transactions without having to remember the account number.
- IPPB has tied up with the Punjab National Bank and would work as an agent of the bank to provide loans to the account holders.
- IPPB has tied up with the Bajaj Allianz Life Insurance to provide insurance to its customers.
- For ATM facility IPPB has tied up with the Punjab National Bank.

Accounts: IPPB will allow three types of accounts for customers –

- **A regular savings account** - used to withdraw cash, deposit money and perform easy remittances.
- **A Basic savings account** - which will allow only four cash withdrawals per month.
- **Digital savings bank account** - which will allow users to open their account through the IPPB Android mobile app

48. **What is Inflation?** Inflation is as an increase in the price of bunch of Goods and services that projects the Indian economy. An increase in inflation figures occurs when there is an increase in the average level of prices in Goods and services. Inflation happens when there are fewer Goods and more buyers; this will result in increase in the price of Goods, since there is more demand and less supply of the goods.

49. **What is Deflation?** Deflation is the continuous decrease in prices of goods and services. Deflation occurs when the inflation rate becomes negative (below zero) and stays there for a longer period.

50. **GDP -** The Gross Domestic Product (GDP) is an estimated value of the total worth of a country's production and services, within its boundary, by its nationals and foreigners, calculated over the course of one year. Hence, GDP = Consumption + Investment + Government Spending + Exports –Imports.

51. **GNP -** The Gross National Product (GNP) is an estimated value of the total worth of production and services, by citizens of a country, on its land or on foreign land, calculated over the course of one year. Hence, GNP = GDP + NR (Net income inflow from assets abroad or Net income Receipts) - NP (Net Payment outflow to foreign assets)

52. **Treasury Bills (T bills) –** Treasury Bills are instruments of short term borrowing by the Central/State govt. They are promissory notes issued at discount and for a fixed period. At present, the Government of India issues three types of treasury bills through auctions, namely, 91-day, 182-day and 364-day. There are no treasury bills issued by State Governments.

Amount - Treasury bills are available for a minimum amount of **Rs.25,000 and in multiples of Rs. 25,000**. Treasury bills are issued at a discount and are redeemed at par.

53. **What is BSBDA?** Under the guidelines issued on August 10, 2012 by RBI: "Any individual, including poor or those from weaker section of the society, can open zero balance account in any bank.

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

54. **Certificate of Deposits –** Certificate of Deposit (CD) is a negotiable money market instrument and issued in dematerialised form or as a Usance Promissory Note against funds deposited at a bank or other eligible financial institution for a specified time period.

  - **Minimum Size of Issue and Denominations -** Minimum amount of a CD should be **Rs.1 lakh**, i.e., the minimum deposit that could be accepted from a single subscriber should not be less than Rs.1 lakh, and in multiples of Rs. 1 lakh thereafter.
  - **Maturity -** The maturity period of CDs issued by banks should not be less than 7 days and not more than one year, from the date of issue.

55. **Commercial Paper –** Commercial Paper (CP) is an unsecured money market instrument issued in the form of a promissory note. It was introduced in India in 1990. Corporates, primary dealers (PDs) and the All-India Financial Institutions (FIs) are eligible to issue CP.

  - **Minimum & maximum period of maturity prescribed for CP -** CP can be issued for maturities between a minimum of 7 days and a maximum of up to one year from the date of issue. However, the maturity date of the CP should not go beyond the date up to which the credit rating of the issuer is valid.
  - **Denominations -** CP can be issued in denominations of Rs.5 lakh or multiples thereof.
  - **Who can invest in CP?** Individuals, banking companies, other corporate bodies (registered or incorporated in India) and unincorporated bodies, Non-Resident Indians (NRIs) and Foreign Institutional Investors (FIIs) etc. can invest in CPs. However, investment by FIIs would be within the limits set for them by Securities and Exchange Board of India (SEBI) from time-to-time.

56. **Banking Ombudsman Scheme –** It is a scheme which allows bank customers resolve complaints relating to services rendered by banks. It was introduced under Section 35A of the Banking Regulation Act, 1949 by RBI with effect from 1995.
  - Banking Ombudsman is a senior official appointed by RBI to redress customer complaints against deficiency in certain banking services.
  - All Scheduled Commercial Banks, RRBs & Scheduled Primary Co- Op Banks are covered under the Scheme.
  - With the amendment, from 1 July 2017, the banking ombudsman scheme will include –
  - **i.** sale of insurance, mutual funds and other third-party investment products by banks
  - **ii.** mobile and online banking services.
  - Now, a bank customer also files a complaint to Banking Ombudsman on following issues **–**
  - **i. Mutual Fund & Insurance policy -** wrongly sold third party products such as mutual fund schemes & insurance policies.

Some aspects related to the Scheme:
- No fee is required for filing and resolving customers' complaints.
- **Increase in compensation amount:** The RBI has increased the compensation limit **from Rs10 lakh to Rs20 lakh.**

- If a complaint is not settled by an agreement within a period of one month, the Banking Ombudsman proceeds further to pass an award.
- If one is not satisfied with the decision passed by the Banking Ombudsman, one can approach the appellate authority against the Banking Ombudsman's decision.
- The Appellate Authority is vested with a **Deputy Governor of the RBI.**
- If one is aggrieved by the decision, one may, within 30 days of the date of receipt of the award, appeal against the award before the appellate authority.

57. Different Types of Bank Accounts – Normally there are 4 types of deposits account in Bank which are –
(1) Saving Account
(2) Current Account
(3) Recurring Account
(4) Fixed Deposit Account

- **Saving Bank Account -** Savings account are basically for individuals and small businesses. You may Rs.1000 today, you may deposit Rs.1000 today. Tomorrow you may require Rs.5000, you may withdraw Rs.5000 tomorrow. Similarly a grocery shop owner may deposit Rs.10000 today & in need he may withdraw Rs.5000 tomorrow. This is not for large businesses. These accounts can be opened individually or jointly or by Hindu undivided family, there is a system invoked that is known as Hindu undivided family (the head of the family will operate the account).

- Another important point is, this is normally intended for person above 18 years of age but person b/w 10 to 18 years can also open individually without guardian but with some restrictions. Minor accounts i.e below 10 years accounts has to be opened with guardian only.

Salient Features of Saving Bank Account –
- Saving Bank account is basically for individuals and small businesses.
- The objective of saving bank account is to promote savings.
- The rate of interest payable is very nominal on saving accounts. At present it is 4%
- Minimum Balance – (varies from bank to bank) – Normally Rs. 500 (without cheque book facility)
- Normally Rs. 1000 (with cheque book facility)
- Some banks like – HDFC, ICICI Bank - allow premium savings a/c deposits with minimum balance of Rs. 5000 or Rs. 10000.
- Bank offer zero balance accounts previously known as No – frills accounts / **BSBDA and now under PMJDY**

Note:

- If you go to some bank like ICICI or HDFC they may specify 10000/- min. balance in a metropolitan area, 5000/- in small towns, 2000/- in rural areas. So the min. balance may differ.
- If minimum balance is not maintained banks may impose penalty.

What is Regulation and De-Regulation? From 25 Oct 2011 the interest rate of Saving Account is deregulated by RBI.
- If somebody (RBI) is controlling then it is regulation, if you (banks) are controlling i.e deregulation.
- **Note**: Banks are free to decide interest rate on Savings bank a/c deposits.
- From 1st April 2010 interest on SA is calculated on daily basis taking into account minimum balance available.
- Interest on SA is around 4%.

✓ **Current Account -** Are for big businesses, companies and institutions such as school, colleges etc., a big business do lot many transactions across the country. Since there are restriction on number of withdrawals from saving bank account, this type of account is not suitable for them. They need to have an account from which withdrawal can be made any no. of times.

Salient Features of Current Account –

- Firms & companies are eligible to open account.
- Current bank accounts are operated to run a business.
- It is a non-interest bearing bank account.
- No limit on either the number of transactions or the maximum amount of transactions
- Overdraft facility (short term loan facility) is available
- It needs a higher minimum balance to be maintained as compared to the savings account.

Difference b/w Saving & Current Account –

Saving Bank Account	**Current Bank Account**
Bank pays interest on daily basis	Bank does not pay any interest on current account.
Restriction on the number and amount of withdrawals	There is no restriction on the number and amount of withdrawals
SA can be opened by individuals, small businesses and students, etc.	Current Accounts are for big businesses, companies and institutions, etc.
Nomination facility is available for SA deposits.	Nomination facility is normally not available for CA deposits.

Note: Now **CA & SA together are known as demand deposit**, since they are payable on demand. Suppose you need Rs.5000 today you withdraw Rs.5000 today.

- **CASA RATIO** – The Ratio of the deposits in the form of **Current Account & Saving Account to the total deposits is known as CASA Ratio** (normally expressed in %). More CASA ratio banks are in the safe zone. ICCI, AXIS, HDFC & SBI have CASA Ratio more than 40%.

- **Fixed Deposit and Recurring Deposit** - these deposits are **TIME** deposits (as for specified agreed period b/w you and the bank). In these deposits interest paid by the bank is slightly higher than CA & SA. It's like "sabar ka fal mitha hota hai".

  Note: If you are depositing the money **for 1 year you will get the money after 1 year**. But if you withdraw before the agreed period i.e before 1 year, you have to pay penalty. **Cheque book facility is not available for time deposits**.

Salient Features of FD –

- FIXED DEPOSIT can be operated for a tenure ranging from **7 days to 10 years** in Indian banking system.
- Not payable on demand and do not enjoy cheque facility.
- .Present interest on FD is **8.75%** but Interest rate may increases with the time period
- Interest rates will be slightly higher for senior citizens (60 + years of age)
- Premature withdrawal of the deposits is possible, but it attracts penalty at the rates varying from 0.5% to 1.5%
- If the deposits are Rs. 1 Crore or more, they come under bulk deposits and interest rates may vary further.
- Loan facility is available on principal as well as on interest.

But in FD you have to pay income tax . If your interest income exceeds Rs. 10000 banks will deduct TDS (Tax diretionate source) i.e banks itself will deduct income tax.

- **Recurring Deposit –** Recurring Deposit is a special kind of Term Deposit offered by banks in India which help people with regular incomes to deposit a fixed amount every month into their Recurring Deposit account and earn interest at the rate applicable to Fixed Deposits.
- The main objective of recurring deposit account is to develop regular savings habit among the public.

Salient Features of RD –

- In India, minimum amount that can be deposited is **Rs.10 at** regular intervals.

- The period of deposit is minimum **six months** and maximum **ten years**. (Minimum tenure varies banks to banks. Some banks allow minimum tenure in RD for **3 months**.)
- Minimum balance can be deposited under RD is **Rs. 500 per month** and thereafter in multiples of Rs 100/-
- The rate of interest is higher.

Digital Banking

1. **National Electronic Fund Transfer (NEFT) –** It is a payment system which facilitates one-to-one funds transfer. Under this facility, any customer can electronically transfer funds from any bank branch to any individual, firm or corporate having an account with any other bank branch in the country.
   - **Transaction Limit**: There is **no minimum & maximum limit of amount.**
   - **Note**: For cash-based remittance and remittance to Nepal - the maximum amount per transaction is limited to Rs 50,000.
   - **Timing**: At present, NEFT operates in half-hourly basis - There are **twenty-three half-hourly settlement batches** run **from 8 am to 7 pm** on all working days of week (Except 2nd and 4th Saturday of the month).
2. **Real Time Gross Settlement (RTGS) –** Under this facility the transfer of funds is done individually on an order by order basis (without any delay). The RTGS system is primarily meant for large value transactions.
   - **Transaction Limit**: The minimum amount is **Rs. 2 lakh**. There is no upper ceiling for RTGS transactions.
   - **Timing**: The RTGS service window for customer's transactions is available to banks from **9.00 hours to 16.30** hours on week days and from **9.00 hours to 14:00** hours on Saturdays for settlement at the RBI end. However, the timings that the banks follow may vary depending on the customer timings of the bank branches.

What are the minimum and maximum amount of remittance under RTGS and NEFT?

	RTGS	**NEFT**
✓ Minimum Amount :	**RS 2 lakhs**	No minimum limit
✓ Maximum Amount :	**No upper ceiling**	No upper ceiling

3. **Indian Financial System Code (IFSC)** – It is a 11-digit alpha-numeric code which identifies a bank-branch participating in the NEFT & RTGS system. IFSC is used by the NEFT system to identify the originating / destination banks / branches and also to route the messages appropriately to the concerned banks / branches.

   Note: IFSC code represent –
   - First 4 alpha characters indicate – bank name
   - Fifth characters is – 0
   - Last 6 characters indicate – bank branch.
   - For ex - SBIN0000125 – Here – SBIN indicates – State Bank of India. 0124 represent the Lucknow Main Branch name.
4. **About NPCI -** National Payments Corporation of India (NPCI) is an umbrella organization for all retail payments system in India. It was set up with the guidance and support of the Reserve Bank of India (RBI) and Indian Banks' Association (IBA).
   - **NPCI –** Headquarter: Mumbai, Maharashtra
5. **About Unified Payments Interface (UPI)-** It is an instant payment system to transfer money between two parties bank accounts. It is a similar to NEFT or RTGS transfers in that way. It is developed by the National Payments Corporation of India (NPCI).
6. **Immediate payment service (IMPS) –** It is an instant real-time payment service which help customer to transfer money anytime and anywhere in India. This service is similar to NEFT & RTGS and available 24/7 throughout the year including bank holidays. This service is offered by National Payments Corporation of India (NPCI).
   - **Transaction limit** – There is a maximum limit of 2 lakhs.
7. **Interbank Mobile Payment Service** (IMPS) – It is an instant interbank fund transfer service in which mobile phones are used as channel through which transaction happens with the use of Mobile Money Identifier(MMID). For each account,

MMID is generated by bank and it is linked with registered mobile number. Now, account details are fetched from MMID and via registered mobile number transaction occurs.

- **Only MMID and Registered Mobile Number of Payee are needed. Mobile Money Identifier is a 7 digit number, issued by banks.
- **Transaction Limits -** RBI has defined the maximum limit per day transaction. If transaction happens in encrypted format (from net banking) then limit is 50,000 rupees per day whereas if transaction happens in unencrypted messaging formats (from mobile instrument via text message) then limit is 1,000 rupees per day.

8. ***99# Service –** It is a mobile banking facility which is based on Unstructured Supplementary Service Data (USSD). With the help of this service a bank customer can perform financial activities by just dialing *99# from his/her mobile registered with the bank. *99# is a common number across all Telecom Service Providers (TSPs). The service works across all GSM service providers and handsets.
9. **About Unstructured Supplementary Service Data (USSD) –** USSD allows transmission of information through a GSM (Global System for Mobile Communications) network. It is used to send text message between a mobile phone and application program in the network. At present, it is one of the best accessible communications technology to deliver mobile financial services to low-income customers.
10. **Aadhar Enabled Payment System (AEPS) –** It is an Indian payment system which is based on unique identification number, the AADHAAR. The system allows a person holding an Aadhaar number to carry out financial transaction on a Micro-ATM provided by the Banking correspondent. It is developed by National Payments Corporation of India.
11. **Aadhaar Payments Bridge System (APBS):** It is a payment gateway platform used for Aadhaar schemes. Under this facility - Aadhaar number used as a central key for electronically channelizing the Government subsidies and benefits in the Aadhaar Enabled Bank Accounts (AEBA) of the intended beneficiaries. It is developed by National Payments Corporation of India. It was used for the first time on 1 January 2013 when Direct Benefit Transfer was launched by Government of India.
12. **BHIM APP –** Bharat Interface for Money (BHIM) is an instant payment application which allow users to transfer fund with the help of mobile phone. It is based on the Unified Payment Interface (UPI) and developed by National Payments Corporation of India (NPCI).

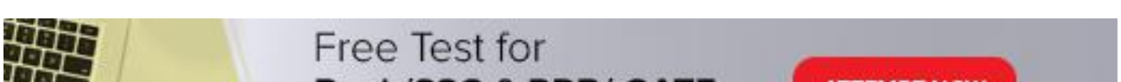
- The Prime Minister Narendra Modi launched BHIM app for Android and iOS devices on 30th Dec 2016 at the Digi Dhan Mela event in New Delhi.

Features of BHIM App -

- Maximum limit- User can transfer maximum amount upto Rs 20,000 in a day.
- You can send upto Rs. 10,000 in a single transaction.
- Transaction Charges – There is no transaction charges.
- **UPI PIN** – It is a four or six digit number which is set by the users itself on BHIM after the registration process. UPI PIN is used for authenticating all transactions done on UPI platform (BHIM or *99# or UPI apps).
- **VPA** - Virtual Payment Address (VPA) is a unique identifier which you can use to send and receive money on UPI. Note: You can use two VPA's. First one is the default VPA (mobile number@upi). The second one, you can create on "My Profile" page.

Banking & Financial terms

1. **AEPS –** Aadhar Enabled Payment System
2. **APBS –** Aadhar Payment Bridge System
3. **ATM** – Automated Teller Machine
4. **ALM** - Asset Liability Management
5. **BBPS** – Bharat Bill Payment System
6. **BHIM** - Bharat Interface for Money
7. **CBS** – Core Banking System
8. **CIDR** - Central Identities Data Repository
9. **CTS –** Cheque Truncation System
10. **CDR** - Corporate Debt Restructuring
11. **CASA** – Current Account Saving Account
12. **CAD** – Capital Account Deficit
13. **CRR** – Cash Reserve Ratio
14. **ECS** – Electronic Clearing Service
15. **DNS -** Domain Name System
16. **DEAF** - Depositor Education and Awareness Fund
17. **EFTPOS -** Electronic funds transfer at point of sale
18. **EFT** – Electronic Fund Transfer.
19. FRBM - Fiscal Responsibility and Budget Management
20. **LGD** - Loss Given Default
21. **LTV**- Loan To Value
22. **GNFV -** Gross Negative Fair Value
23. **SFTs**: Securities financing transactions
24. **HCE -** Host Card Emulation
25. **PFE** - Potential Future Exposure
26. ICAAP - Internal Capital Adequacy Assessment Process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