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Financial Awareness Capsule for LIC AAO, SBI & other Banking Exams

Financial Awareness Capsule for LIC AAO 2019, SBI 2019 & Other Banking Exams

Dear readers,

This PDF is a compilation of important Financial terms, institutions and schemes. This PDF is essential and relevant for LIC AAO 2019, SBI PO & Clerk 2019 and other Banking Exams.

Central Bank of India (RBI)

- 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 nationalized 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 –** Shaktikanta Das is the present governor of RBI. He assumed charge as the 25^{th} Governor of the Reserve Bank of India. He succeeds Urjit Patel.
- **There are four Deputy Governor of RBI –**
  (i) N. S. Vishwanathan (ii) Viral V. Acharya (iii) B.P. Kanungo (iv) 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.

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(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) Its commonly includes foreign exchange and gold, special drawing rights,(SDRs) and International Monetary Fund(IMF) reserve positions.
- **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.
- **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.
  - **Regulator -** RBI is the regulator of Banking & Finance & Money Market.

Subsidiaries of RBI –

- **Deposit Insurance and Credit Guarantee Corporation of India (DICGC)** - It was established on July 15, 1978 under Deposit Insurance and Credit Guarantee Corporation Act, 1961, for the purpose of providing insurance of deposits and guaranteeing of credit facilities.
- DICGC insures all bank deposits, such as saving, fixed, current, recurring deposits for up to the limit of Rs. 1 lakh of each deposits in a bank.
- **Bharatiya Reserve Bank Note Mudran Private Limited (BRBNMPL)** - The Reserve Bank established BRBNMPL in February 1995 as a wholly owned subsidiary to augment the production of bank notes in India and to enable bridging of the gap between supply and demand for bank notes in the country.

Note:

- Under Section 47 of the RBI Act, 1934 the central bank is mandated to pay balance profits to the government.
- Section 7 of the RBI Act empowers the central government to issue directions in public interest from time to time to the bank in consultation with RBI Governor.
- Section 17 deals with the functioning of RBI. The RBI can accept deposits from the central and state governments without interest. It can purchase and discount bills of exchange from commercial banks.
- Section 18 describes emergency loans to banks.

Key features of the bank note introduced by RBI

1. **New 20 Rupee note**
   Series - Mahatma Gandhi (New) Series
   Dimensions - 63 mm x 129 mm
   Base colour – greenish -yellow
   Motif (image on the note) - Ellora Caves (Ellora is a UNESCO World Heritage Site located in the Aurangabad district of Maharashtra)

Note: Old Rs 20 note size is 143 X 63 mm and has a motif of Mount Harriet.

2. **New 100 Rupee note**
   - Series - Mahatma Gandhi (New) Series
   - Dimensions - 66 mm x 142 mm
   - Base colour – Lavender
   - Motif (image on the note) - RANI KI VAV" a heritage site located in Gujarat
3. **New 10 Rupee note**
   - Series - Mahatma Gandhi (New) Series
   - Dimensions - 63 mmX123 mm
   - Base colour – Chocolate Brown
   - Motif (image on the note) - Sun Temple (Konark Sun Temple, commonly known as Konark is situated in the eastern state of Odisha.)

4. **New 200 Rupee note**
   - Series - Mahatma Gandhi (New) Series
   - Dimensions - 66 mmX146 mm

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- Base colour – Bright yellow
- Motif (image on the note) - Sanchi Stupa (Sanchi is one of the most important Buddhist monuments located in Sanchi Town, Madhya Pradesh)

5. **New 500 Rupee note**
   - Series - Mahatma Gandhi (New) Series
   - Dimensions - 66mmX150mm
   - Base colour – Stone grey
   - Motif (image on the note) - Red Fort
6. **New 2000 Rupee note**
   - Series - Mahatma Gandhi (New) Series
   - Dimensions - 66mmX166mm
   - Base colour – Magenta
   - Motif (image on the note) – Mangalyaan (The Mars Orbiter Mission, also called Mangalyaan, is a space probe orbiting Mars since 24 September 2014. It was launched on 5 November 2013 by the Indian Space Research Organisation).
7. **New 50 Rupee note**
   - Series - Mahatma Gandhi (New) Series
   - Dimensions - 66 mmX135 mm
   - Base colour – Fluorescent blue
   - Motif (image on the note) – Hampi with Chariot (Hampi, also referred to as the Group of Monuments at Hampi, is a UNESCO World Heritage Site located in east-central Karnataka, India).

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. RBI use following two measures to regulate the monetary policy i.e. **Quantitative and Qualitative Measures**.

Quantitative Measures

- **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 results 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 results 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:

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- 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.

Liquidity Adjustment Facility (LAF) - It allows banks to borrow money through repurchase agreements. LAF is used to aid banks in adjusting the day to day mismatches in liquidity.

- Bank cannot sell government securities that are under SLR quota.
- Bank can borrow any amount of money.
- Minimum bidding amount is Rs. 5 cr.
- All clients of RBI are eligible to bid.

LAF (liquidity adjustment facility) can be classified into two: **Repo rate & Reverse Repo Rate**

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):

- Marginal Standing Facility is a Liquidity Adjustment Facility (LAF) window created by Reserve Bank of India in its credit policy of May 2011.
- MSF is the rate at which the banks are able to borrow overnight funds from RBI against the approved government securities.
- MSF is an overnight liquidity support provided by RBI to commercial banks with a higher interest rate over the repo rate.

Note:

- Usually, when banks need short term loans from the RBI, they pledge their security holdings that is above the SLR holdings with the RBI to get one day loans under repo.
- Under MSF, a bank can borrow one-day loans form the RBI, even if it doesn't have any eligible securities excess of its SLR requirement (maintains only the SLR).
- Banks can borrow from the RBI up to 1 % of their Net Demand and Time Liabilities or liabilities (or deposits) under MSF (increased to 2% later).
- Minimum request size: Requests will be received for a minimum amount of Rs. one crore and in multiples of Rs. one crore thereafter.

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.
- 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.

Note:

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- 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.

RBI reduced repo rate by 25 bps - For the third time in a row, the Reserve Bank of India's (RBI) Monetary Policy Committee (MPC) on 6th June 2019, reduced interest rates by 25 basis points.

Current Policy & Reserve Rates:

1.Repo Rate	5.75%
2.Reverse Repo	5.50%
3.CRR(Cash Reserve ratio)	4.00%
4.SLR (Statutory Liquidity Ratio)	19.00%
5.MSF (Marginal Standing Facility)	6.00%
6.Bank Rate	6.00%

Basis Points - BPS is an acronym for basic points is used to indicate changes in rate of interest and another 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%.

Qualitative Measures

These measures can affect money supply in a specific sector of economy:
- MARGIN REQUIREMENT- This refers to difference between the securities offered and amount borrowed by bank.
- RATIONING OF CREDIT- with this tool RBI can controls the credit granted and allocated by commercial banks.
- MORAL SUASION- By this Central Bank may prohibit or dissuade commercial banks to deal in speculative business.
- DIRECT ACTION- The Central Bank may take direct action against commercial banks that violate the rules, orders or advice of central bank.

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.

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

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- 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 have six members.
- Three each nominated by the government and the RBI and each member 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. **Shaktikanta Das** is the present chairman of MPC**.**
- 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.

Banking sector

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.

Nationalization - Nationalization is the process of taking a private industry or private assets into public ownership by a national government or state.

- **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.

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Public Sector Banks

- Public Sector Banks (PSBs) are banks where a majority stake (i.e. more than 50%) is held by a government.

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.
- The minimum capital requirement for to set up Private Bank is Rs. 500 crore.
- At present, the aggregate foreign investment limit is 74 per cent.

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.
- 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**.

Domestic Systemically Important Banks (DSIBs)

- The Reserve Bank of India released the list of Domestic Systemically Important Banks (D-SIBs) on 14th March 2019.
- As per the notification, SBI, ICICI Bank, and HDFC Bank continue to be identified as Domestic Systemically Important Banks (D-SIBs), under the same bucketing structure as last year.
- D-SIB-Domestic Systemically Important Banks – These banks are identified by Central Bank of the country.

The advantages of being listed as DSIB:

  - The bank would need to fulfil with higher capital requirements.
  - The bank could now get bulk funds from investors as they would feel secure because they are 'too big to fail' status.

Too big to fail: It means some banks, or some financial institutes are financially So big and their loss hits the economy of the country. Hence, the government supports these institutions

  - The Reserve Bank had announced State Bank of India and ICICI Bank Ltd. as D-SIBs on August 31, 2015, and August 25, 2016, respectively.
  - On March 31, 2017, the Reserve Bank had announced State Bank of India, ICICI Bank Ltd. and HDFC Bank Ltd. as D-SIBs on September 04, 2017.

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.
- It was dedicated to the service of the nation by the late Prime Minister Smt. Indira Gandhi on 05 November 1982.
- NABARD is the regulator of the Financing Rural Development sector in India.
- It was set up with an initial capital of Rs.100 crore, its' paid up capital stood at Rs.10,580 crore as on 31 March 2018.
- NABARD is fully owned by Government of India.
- Its headquarters located in Mumbai.
- Present Chairman is **Dr. Harsh Kumar Bhanwala.**

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National Housing Bank (NHB)

- National Housing Bank (NHB) was set up on 9 July 1988 under the National Housing Bank Act, 1987.
- NHB is an apex financial institution for housing.
- NHB has been established with an objective to operate as a principal agency to promote housing finance institutions both at local and regional levels and to provide financial and other support incidental to such institutions and for matters connected therewith.
- NHB is the regulator for housing finance companies.
- NHB is set up by on the recommendations of the Dr C. Rangarajan committee.
- NHB is fully owned by the Government of India.
- Its headquarters located in New Delhi.
- Present MD & CEO is **Dakshita Das.**

Note:

- In April 2019, the Reserve Bank has sold its entire stakes in the National Housing Bank (NHB) and the National Bank for Agriculture & Rural Development (Nabard) to the government for Rs 1,450 crore and Rs 20 crore, respectively.
- With this divestment, the government now holds a 100 per cent stake in both these financial institutions.

SEBI

- Securities and Exchange Board of India (SEBI) is the regulator for the Securities and Capital Market in India.
- Head office located in **Mumbai**.
- It was established by the Government of India in 1988.
- It became an autonomous body by the Government of India on 12 May 1992 and given statutory powers 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.

SIDBI

- Small Industries Development Bank of India was set up in 1990 through an act of parliament.
- It was incorporated initially as a wholly owned subsidiary of IDBI.
- Now the SIDBI is an independent body.
- SIDBI is the regulator of Financing Micro, Small and Medium-Scale Enterprises.
- SEBI headquarters is in Lucknow, Uttar Pradesh.
- Mohammad Mustafa is current Chairman and Managing Director of SIDBI.

Associates / subsidiaries of SIDBI-

(i) Credit Guarantee Fund Trust for Micro and Small Enterprises- provides guarantees to banks for collateral-free loans extended to SME.
(ii) SIDBI Venture Capital Ltd
(iii) SME Rating Agency of India Ltd. (SMERA)- Provides composite ratings to SME.
(iv) ISARC - India SME Asset Reconstruction Company in 2009, as specialized entities for NPA resolution for SME.
(v) MUDRA Bank.

MUDRA Bank

- Micro Units Development and Refinance Agency Bank (MUDRA Bank) is a public sector financial institution in India.
- It provides loans at low rates to micro-finance institutions and non-banking financial institutions which then provide credit to MSMEs.
- It was launched by Prime Minister Narendra Modi on 8 April 2015.

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- Along with MUDRA, the PMMY (Pradhan Mantri MUDRA Yojana) was also launched.
- Under the PMMY scheme, everyone from the non-farm income generating sector can seek loans up to Rs. 10 lakhs.

Loan amount offered- The scheme has three categories under which loans are disbursed:

- Shishu – For loan amount up to Rs. 50,000
- Kishore- For loan amount from Rs. 50,001- Rs 5 lakhs
- Tarun- For loan amount more than 5 lakhs and up to Rs 10 lakhs

EXIM Bank

- Export and Import Bank of India, popularly known as the EXIM Bank was set up in 1982.
- It is the principal financial institution in India for foreign and international trade.
- The main function of the Export and Import Bank of India is to provide financial and other assistance to importers and exporters of the country.
- Managing Director- David Rasquinha
- Headquarters- Mumbai

ECGC

- The ECGC Limited (Formerly Export Credit Guarantee Corporation of India Ltd is a company wholly owned by the Government of India based in Mumbai, Maharashtra.
- It provides export credit insurance support to Indian exporters and is controlled by the Ministry of Commerce.
- Government of India had initially set up Export Risks Insurance Corporation (ERIC) in July 1957.
- It was transformed into Export Credit and Guarantee Corporation Limited (ECGC) in 1964 and to Export Credit Guarantee Corporation of India in 1983.
- The present paid-up capital of the company is Rs. 1200 crores and authorized capital Rs.5000 crores.

Priority Sector Lending (PSL)

- Priority Sector means those sectors which the Government of India and Reserve Bank of India consider as important for the development of the basic needs of the country and are to be given priority over other sectors.
- The banks are mandated to encourage the growth of such sectors with adequate and timely credit.
- Priority Sector Lending refers to those sectors of the economy which may not get timely and adequate credit in the absence of this special dispensation.

Priority Sector includes the following categories:
(i) Agriculture
(ii) Micro, Small and Medium Enterprises
(iii) Export Credit
(iv) Education
(v) Housing
(vi) Social Infrastructure
(vii) Renewable Energy
(viii) Others

The targets and sub-targets for banks under priority sector are as follows:
For - Domestic scheduled commercial banks (excluding Regional Rural Banks and Small Finance Banks) and Foreign banks with 20 branches and above

- **Total Priority Sector -** 40 per cent of Adjusted Net Bank Credit or Credit Equivalent Amount of Off-Balance Sheet Exposure, whichever is higher.

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- **Agriculture sector -** 18 per cent of ANBC or Credit Equivalent Amount of Off-Balance Sheet Exposure, whichever is higher.
- **Micro Enterprises -** 7.5 percent of ANBC or Credit Equivalent Amount of Off-Balance Sheet Exposure, whichever is higher.
- **Advances to Weaker Sections -** 10 percent of ANBC or Credit Equivalent Amount of Off-Balance Sheet Exposure, whichever is higher

- **Loan limit for education under priority sector –** Loans to individuals for educational purposes including vocational courses upto Rs.10 lakh for studies in India and Rs. 20 lakh for studies abroad are included under priority sector.
- **Limit for housing loans under priority sector** – The housing loan limits for Priority Sector Lending eligibility is Rs. 35 lakh rupees in metropolitan and Rs. 25 lakh rupees in other centres. (same in case for RRBs & Small Finance Banks).
- **Limit of loan that can be availed by individual women under PSL -** Individual women, beneficiaries can take up to ₹ 1 lakh per borrower.

Non-bank financial companies

- 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.
- A Non-Banking Financial Company (NBFC) is a company registered under the Companies Act, 1956.

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.

Systemically important NBFCs - NBFCs whose asset size is of ₹ 500 cr or more as per last audited balance sheet are considered as systemically important NBFCs.

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.

Financial Inclusion

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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.

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

- BSBDA (Basic Savings Bank Deposit Account)
- 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) To make the scheme more attractive, the government has decided to double the overdraft facility from **Rs 5,000 to Rs 10,000.**
  (iii) Under the scheme, age entitlement has been relaxed to 18-65 years, and accident insurance of accounts after 28 August will have a limit of **Rs 2 lakh**.

- **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) social security scheme
  (iii) all accounts opened after August 28, 2018 will have an accident insurance limit of Rs 2 lakh, double the earlier Rs 1 lakh limit.
  (iv) the overdraft facility of the scheme increased from Rs 5,000 to Rs 10,000.
  (iii) Age group: 18-40 years
  (iii) Fixed pension: Rs 1000-5000 per month at age of 60 years.

Financial Inclusion Fund: 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.**

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 India, a DeMat account is a type of banking account that dematerializes paper-based physical stock shares.

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- The DeMat account is used to avoid holding of physical shares: the shares are bought as well as sold through a stock broker.

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.

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.

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.

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.

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 Fiscal 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.

Fiscal Deficit - It is the difference between the government's total revenue/ receipts (excluding borrowings) and total expenditure.

- **Fiscal deficit =** Total Expenditure - Total receipts (excluding borrowings).

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.

- A mismatch in the expected revenue and expenditure can result in revenue deficit.
- Revenue deficit arises when the governments actual net receipts is lower than the projected receipts.

Note:

- Revenue deficit = Revenue expenditure - Revenue receipts.

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Effective Revenue Deficit –

- Effective Revenue Deficit is the difference between revenue deficit and grants for creation of capital assets. Effective Revenue Deficit signifies that amount of capital receipts that are being used for actual consumption expenditure of the Government.
- Effective Revenue deficit is a new term introduced in the Union Budget 2011-12.

Budget Deficit – The Budget Deficit is the financial situation wherein the expenditures exceed the revenues. The Budget Deficit generally relates to the government's expenditure and not the business or individual's spending.

Primary deficit: It is the fiscal deficit less interest payments made by the government on its earlier borrowings.

- The Primary Deficit is the difference between the fiscal deficit of current year and the interest paid on the previous borrowings. Thus, primary deficits are government's borrowings exclusive of interest payment.
- Primary Deficit = Fiscal Deficit – Interest payments on the previous borrowings

National Income

National Income is the money value of all goods and services produced in a country during the year. Thus, it is the net result of all economic activities of any country during a period of one year and is valued in terms of money.

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.

GDP deflator

The Gross Domestic Product (GDP) deflator is a measure of general price inflation. It is calculated by dividing nominal GDP by real GDP and then multiplying by 100.

- Nominal GDP is the market value of goods and services produced in an economy, unadjusted for inflation (It is the GDP measured at current prices).
- Real GDP is nominal GDP, adjusted for inflation to reflect changes in real output (It is the GDP measured at constant prices).

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)

Note:

- GNP measures the output of a country's residents regardless of the location of the actual underlying economic activity.
- Income from overseas investments by a country's residents counts in GNP, and foreign investment within a country's borders does not. This is in contrast to GDP which measures economic output and income based on the location rather than nationality.

NNP

Net national product (NNP) is the market value of a nation's goods and services minus depreciation (often referred to as capital consumption).

- The formula for NNP is: NNP = Market Value of Finished Goods + Market Value of Finished Services – Depreciation
- Alternatively, NNP can be calculated as: NNP = Gross National Product – Depreciation

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Depreciation

The monetary value of an asset decreases over time due to use, wear and tear or obsolescence. This decrease is measured as depreciation.
Note:

- Depreciation, i.e. a decrease in an asset's value, may be caused by a number of other factors as well such as unfavorable market conditions, etc. Machinery, equipment, currency are some examples of assets that are likely to depreciate over a specific period of time.
- Opposite of depreciation is appreciation which is increase in the value of an asset over a period of time.

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.

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.

- Deflation increases the real value of money and this allows one to buy more goods with the same amount of money.

Note:

- In simple words we can say that Inflation refers to the increase in the price of the goods while deflation means the decrease in the price of the goods.

Disinflation

Disinflation occurs when price inflation slows down temporarily. The rate of inflation at a slower rate is called disinflation.
Note:

- It means the rate of inflation remains in positive region, but it was reduced compared to last term. Example : from 4 % to 2 %.
- Unlike deflation, this is not harmful to the economy because the inflation rate is reduced marginally over a short-term period.
- Unlike inflation and deflation, disinflation is the change in the rate of inflation.
- Deflation is the drop in general price levels in an economy, while disinflation occurs when price inflation slows down temporarily.
- Disinflation can be caused by a recession or when a central bank tightens its monetary policy.

Stagflation

Stagflation is a situation in which the inflation rate is high, the economic growth rate slows, and unemployment remains steadily high.

- Causes attributed to stagflation are a supply shock and poor government policies.
- Supply shocks on the prices of goods due to rise in price of crude oil, low workers output, and incorrect predictions result in stagflation.

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Balance of Payments (BOP)

The balance of payments (BOP) is a statement of all transactions made between entities in one country and the rest of the world over a defined period of time, such as a quarter or a year.

- Balance of Payment Account is a summary of international transactions of a country for a given period' (i.e., financial year).
- These transactions consist of imports and exports of goods, services and capital, as well as transfer payments, such as foreign aid and remittances.
- It records a country's transactions with the rest of the world involving inflow and outflow of foreign exchange.
- In short BOP Account is a summary statement of transactions in foreign exchange in a year.

Balance of Trade (BOT)

Balance of trade is the difference between country's exports and imports.
Note:

- A country that imports more goods and services than it exports in terms of value has a trade deficit.
- Conversely, a country that exports more goods and services than it imports has a trade surplus.
- The formula for calculating the BOT can be simplified as the total value of imports minus the total value of exports.

Disinvestment

A deliberate sale of a part of the capital stock of a company to raise resources and change the equity and/or management structure of a company.

- The selling of the government stake in public sector undertakings.

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.

Association of Mutual Funds in India - AMFI is a regulator of Mutual Funds in India.

- Established on August 22, 1995
- Chairman - Nimesh Shah
- Headquarters- Mumbai
- The organisation aims to develop the mutual funds market in India.

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.

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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".**

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- 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.

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
(i) 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.
(ii) Market risk - Market risk is the risk that the value of an asset will decrease due to changes in market factors. For Banks, market risk is a risk that the value of 'on' or 'off' balance sheet positions will be adversely affected by movements in equity and interest rate markets, currency exchange rates and commodity prices.

- It is also called "systematic risk" because it relates to factors, such as a recession, that impact the entire market.

(iii) Operational risk - Operational risk is the prospect of loss resulting from inadequate or failed procedures, systems or policies. Employee errors. Systems failures. Fraud or other criminal activity. Any event that disrupts business processes.

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**

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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.

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 and Demand Draft are defined under **section 6** of the Negotiable Instruments Act, 1881.
  Note:
  (i) Section 6(a) defines 'a cheque in the electronic form'
  (ii) Section 6(b) defines 'a truncated cheque'
- **Section 138** of the Negotiable Instruments Act, 1881, the dishonour of cheque is a criminal offence and is punishable by imprisonment up to two years or with monetary penalty or with both.

Cheque

A cheque is a negotiable instrument that is used for payments and settlements in India. It is an agreement between two organizations to make payments. Following are the types of the cheque:

- **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.

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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

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.

Small Finance Banks

The aim of small banks is to increase financial inclusion in the country.
Note:

- The RBI issued a license to the bank under Section 22(1) of the Banking Regulation Act, 1949, to carry on the business of small finance bank (SFB) in India.
- **Committee on Small Banks - Usha Thorat** (former deputy governor, RBI) committee

Other Key guidelines and other conditions to set Small Finance Bank:

- The small bank shall be registered as a public limited company under the Companies Act, 2013.
- The new banks will have to use the words 'small finance banks' in its name.
- Capital requirement - The minimum paid-up capital requirement for small banks is Rs. 100 crore.
- Can provide basic banking activities – The small banks accept deposits as well as can offer loan products. Small banks can accept fixed deposits (FDs), term deposits, recurring deposits (RDs) and any non-resident Indian deposits.
- Promoter's contribution: Promoter contribution would be at least **40 percent for the first five years.** Excess shareholding should be brought down to 40 percent by the end of the fifth year, to 30 percent by the end of 10th year and to 26 percent in 12 years from the date of commencement of business
- Foreign shareholding: The foreign shareholding in the small finance bank would be as per the Foreign Direct Investment (FDI) policy.

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- 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 percent of total capital funds.**
- Loans and advances of up to Rs 25 lakhs, primarily to micro enterprises, should constitute at least 50 percent of the loan portfolio.
- For the first three years, **25 percent** of branches should be in unbanked rural areas.
- For the initial three years, prior approval will be required for branch expansion.
- The small finance banks will be required to extend **75 percent of its Adjusted Net Bank Credit** (ANBC) to the sectors eligible for classification as priority sector lending (PSL) by the Reserve Bank.

List of Small Finance Bank working in India –

Small Finance Bank	**Headquarters**	**Tagline**
Capital Small Finance Bank (India's first small finance bank)	Jalandhar, Punjab	Vishwas Se Vikas Tak
Equitas Small Finance Bank	Chennai, Tamil Nadu	Its Fun Banking
Utkarsh Small Finance Bank	Varanasi, UP	Apki Umeed Ka Khata
Suryoday Small Finance Bank	Belapur, Navi Mumbai	A Bank of Smiles
Ujjivan Small Finance Bank	Bengaluru, Karnataka	Bharosa, Aap Ke Bharose Par
ESAF Small Finance Bank	Thrissur, Kerala	Joy of Banking
Au Small Finance Bank	Jaipur, Rajasthan	Chalo Aage Badhe
Fincare Small Finance Bank	Bengaluru, Karnataka	Banking on More
North East Small Finance Bank	Guwahati, Assam	Your Door Step Banker
Jana Small Finance Bank	Bengaluru, Karnataka	Paise Ke Kadar

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.

List of Payments Bank working in India –

Payments Bank	**Headquarters**	**Joint venture**
Airtel Payment Bank	New Delhi	Bharti Airtel & Kotak Mahindra Bank
Paytm Payment Bank	Noida, Uttar Pradesh	Paytm
India Post Payment Bank	New Delhi	100% owned by Govt. of India.
Fino Payment Bank	Mumbai, Maharashtra	Fino has partnered with the ICICI Bank
Aditya Birla Idea Payment Bank	Mumbai, Maharashtra	Idea and Vodafone
Jio Payment Bank	Mumbai, Maharashtra	Reliance and SBI

Committee on Payment Banks - Dr. Nachiket Mor committee.

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.

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- ✓ 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.

Financial Markets

Financial Market is the market where borrowing and lending of funds of all individual, institutions, companies and of the government take place.

In India, Financial Market can be divided into two main categories-
(i) Money Market (ii) Capital Market.

Money Market

- It is also known as "Short Term Market" because here trading is done between 1 day to 365 days.
- In this market, trading is done for a small span of time so "Risk Factor" is very low as well as "returns are very less".
- Short–term instrument like - Treasury bills, Commercial papers, Certificates of deposits, etc are issued and traded in this market.

Note:

- The money market provides facilities to the banks and primary dealers (PDs) to lend or borrow money when there is a mismatch of funds.
- Scheduled Commercial Banks (except RRB), Co-operative Banks and Primary Dealers participates in these markets.
- In Call and Notice Money both the borrowers and lenders need to maintain a current account with RBI because this trading happens for very small tenure. This borrowing and lending are on unsecured basis which are –

  1. **Call Money** - When money is lend or borrowed only for 1 day.
  2. **Notice Money** - Where money is borrowed or lend for the period between 2 days and 14 days.
  3. **Term Money** – I Where money is borrowed or lend for a period exceeding 14 days.

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-days, 182-days and 364-days**.
- 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.

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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.

All-India Financial Institutions

- Export - Import Bank of India (Exim Bank)
- National Bank for Agriculture and Rural Development (NABARD)
- Small Industries Development Bank of India (SIDBI)
- National Housing Bank (NHB)
- Export Credit Guarantee Corporation of India (ECGC)

- **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.
- **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.

Certificate of Deposits

- Certificate of Deposit (CD) is a negotiable money market instrument which was introduced in 1989.
- CD is 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.

Who can issue CD – CDs can be issued by (i) scheduled commercial banks {excluding Regional Rural Banks and Local Area Banks}; and (ii) select All-India Financial Institutions (FIs) that have been permitted by RBI.

- **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.

Capital Market

- A capital market is also known as "Long-Term Market" because here the trading is more than a year.

Capital market consists of:

(i) Primary Market - It is a market which deals with deals with trading & issuance of stocks and other securities.

- For e.g. - Initial Public Offering (IPO) issued by any company.
- In the primary market, securities are directly purchased from the issuer.

(ii) Secondary Market - It is a market which comprises of equity and debt markets. It deals with the exchange of existing or previously- issued securities.

- Markets such as Bombay Stock Exchange (BSE), National Stock Exchange (NSE) are secondary markets.
- On the secondary market, small investors have a better chance of buying or selling securities, because they are no longer excluded from IPOs due to the small amount of money they represent.

Bond

- A "Long-term debt instrument" issued by Government/ company/ banks to raise money from the market have mentioned maturity period and interest rate depending upon amount is known as Bond.
- A bond, also known as a fixed-income security, is a debt instrument created for the purpose of raising capital.

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- They are essentially loan agreements between the bond issuer and an investor, in which the bond issuer is obligated to pay a specified amount of money at specified future dates.

Types of the bonds

(i) Corporate Bonds - A corporate bond is a debt security which is issued by a company and sold to the investors.

- Company's assets are may be used as collateral in some cases.
- The backing for the bond is usually depending upon the payment ability of the company.
- The corporate bonds have considered higher risk than governmental bonds.

(ii) Convertible Bonds- A convertible bond is a debt security that can be converted into predetermined amount of underlying company's equity.

- Convertible bonds are issue to avoid the negative impression of company's actions.

(iii) Government Bonds- Government Bonds are those bonds which are issued by the government to support government spending. These bonds are more secure than corporate bonds.

(iv) Masala Bonds - Masala Bonds are the rupee denominated borrowings by Indian entities in overseas market.

- The word "Masala" is given by the IFC (International Finance Corporation) to represent Indian culture and cuisine. First Masala Bond was issued by the IFC (International Finance Corporation) when it raised Rs 1000 crore bond to fund infrastructure projects in India.
- As the Masala bonds are Indian Rupee denominated bonds, it is regulated by the Reserve Bank of India.

Issuers of Masala Bonds

- RBI has issued guidelines allowing following entities to issue rupee denominated bond overseas.
- Indian Companies (Blue Chip Companies)
- NBFCs (Non Banking Finance Companies)
- Infrastructure Investment Trust
- Real Investment Trust

(v) Green Bonds - A Green Bond is a tax-exempt bond which is issued for the investment in the green projects or for the development of Brownfield sites.

- Brownfield Sites are the sites which are underutilized, have abandoned buildings or underdeveloped.
- Issuers of Green Bonds: Green Bonds are issued by following multilateral agencies: World Bank, Corporation, Government agencies, Municipalities.
- In India Green Bonds are regulated by SEBI (Securities Exchange Board of India).

Debenture

- A debenture is a medium- to long-term debt instrument used by large companies to borrow money, at a fixed rate of interest.

Equity investment

- A company invests investor amount, in shares of other listed company, in order to maximize return is known as the equity investment.

Dividend

- A sum of money paid regularly (quarterly, annually) by a company to its shareholders out of its profits (or reserves) is known as a dividend.
- A dividend can be paid (a) monthly (b) Quarterly.

Outstanding shares

- The total number of shares owns by a shareholder, of a company, for a specific period of time, is known as Outstanding shares.

Preference Shares

- Preference Shares are shares of company's stock with dividends that are paid out to shareholders before common stock dividends are issued.

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Liabilities

- The state in which any company is legally responsible for expenses like expenses on (a) operating (b) employees (c) maintenance of company and fund offered to the public (in this case) are known as Liabilities.

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.

Ombudsman Scheme for NBFCs

- The RBI on February 23, 2018 launched 'Ombudsman Scheme' for non-banking financial companies (NBFC) for redressal of complaints against them.
- The Scheme is being introduced under Section **45 L of the Reserve Bank of India Act**, 1934.
- There are currently **four NBFC ombudsman offices** in **Chennai, Kolkata, Mumbai and Delhi** where customer complaints from across the country are monitored and resolved.

Some aspects related to the Scheme:

- **No fee** is required for filing and resolving customers' complaints.
- Compensation amount - The compensation limit **is Rs10 lakh.** If a complaint is not settled by an agreement within a period of **one month**, the NBFC Ombudsman proceeds further to pass an award.
- The Appellate Authority is vested with a **Deputy Governor of the RBI.**
- If a complaint is not settled by an agreement within a period of **one month**, the NBFC Ombudsman proceeds further to pass an award.
- 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.

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- The Scheme cover all deposit-taking and Non-Deposit taking NBFCs having customer interface, with assets size of Rupees 100 crore or above will come within the ambit, and shall comply with the provisions of the Ombudsman Scheme for Non-Banking Financial Companies.

Public Provident Fund (PPF) – Saving scheme

- Public Provident Fund (PPF) scheme is a popular long-term investment option backed by Government of India which offers safety with attractive interest rate and returns that are fully exempted from Tax under Section 80C of the Income Tax Act, 1961.
- It can be opened in a designated post office or a bank branch.
- **Deposit limit -** Deposit Amount as low as Rs. 500 and maximum Rs.1,50,000 in one financial year.
- Maturity period is **15 years** but the same can be extended within one year of maturity for further 5 years and so on.
- One can open a PPF account in one's own name or on behalf of a minor of whom he is the guardian. This is the combined limit of self and minor account.

Bank Accounts

The account which is maintained by a financial institution for the customer is known as bank account.

Generally, there are two types of basic accounts provided by Banks to their customers. Bank accounts are characterized into **Demand Deposits and Time Deposits.**

1. Demand Deposits - In Demand Deposits you can withdraw your money whenever there is demand of money.
- Demand Deposits are of two types: **Savings Account** & **Current Account**
- Also, known as – CASA – Current Account & Saving Account

2. Term Deposits - In Term Deposits money is deposited for a specific time and you cannot withdraw the amount within this specific duration.
- If customer request for money on emergency, then bank deduct some interest and provide money to the customer.
- Term Deposits are of two types: **Fixed deposit & Recurring deposit.**
- Cheque book facility is not available for term deposits.

Saving Bank Account
- Saving Bank Account is opened by Salaried person, Senior citizen, students, etc.
- It is an interest-bearing deposit account.

Current Account
- Current Account is opened by businessman, firm, trust, public-private companies, etc.
- Bank does not provide interest on such accounts.
- There is no restriction on the number and amount of withdrawals.

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.

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Fixed deposit

- Fixed deposit account is opened for fixed period such as - say six months, one year, five years or even ten years.
- You cannot withdraw your money before the expiry of period.
- Banks accept deposits varying from 7 days to maximum of 10 years.

Salient Features of FD –

- FD 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.
- Interest rates will be slightly higher for senior citizens (60 + years of age)
- 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 deducted at source) i.e. banks itself will deduct income tax.

Recurring deposit

- You can deposit amount in a regular interval of time.
- The minimum period of deposit is 6 months and maximum 10 years.
- The main objective of recurring deposit account is to develop regular savings habit among the public.

Salient Features of RD –

- Minimum balance can be deposited under RD is **Rs. 500 per month** and thereafter in multiples of Rs 100/-
- 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**.)
- The rate of interest is higher.

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

Key points:

- There is no limit on the number of deposits in a month.
- Banks have to allow at least four withdrawals in a month, including those from ATM.
- An individual is eligible to have only one 'Basic Savings Bank Deposit Account' in one bank.
- Total credits in such accounts should not exceed **1 lakh rupees** in a year.
- Maximum balance in the account should not exceed **Rs. 50,000** at any time
- The total of debits by way of cash withdrawals and transfers will not exceed **Rs. 10,000** in a month
- Foreign remittances cannot be credited to Small Accounts without completing normal KYC formalities
- Small accounts are valid for a period of 12 months initially which may be extended by another 12 months if the person provides proof of having applied for an Officially Valid Document.

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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).

Digital Banking

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).

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 Reserve Bank of India has extended the last cut-off timing for customer transactions through Real Time Gross Settlement Systems (RTGS) from 4.30pm to 6pm on all working days, effective June 1, 2019.
- Effectively, the transactions will now take place under three windows: **8am to 11am, 11am to 1am and 1am to 6pm**.
- While customers who conduct transactions in the first window won't have to pay any additional fee over and above the fixed processing charge, the additional fee for the second and third window has been set at **Rs.2 and Rs.5 respectively**.

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 –

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- 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.

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.

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.

Products of NPCI is as follows –

(i) 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).
- Immediate money transfer through mobile device round the clock 24*7 and 365 days.

(ii) 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 Rs. 2 lakhs.

(iii) 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.

(iv) 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.

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- It was used for the first time on 1 January 2013 when Direct Benefit Transfer was launched by Government of India.

(v) 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 40,000 in a day.
- You can send upto Rs. 20,000 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.

(vi) National Automated Clearing House (NACH)

- It is a web based solution to facilitate interbank, high volume, electronic transactions which are repetitive and periodic in nature.
- NACH System can be used for making bulk transactions towards distribution of subsidies, dividends, interest, salary, pension etc. and also for bulk transactions towards collection of payments pertaining to telephone, electricity, water, loans, investments in mutual funds, insurance premium etc.

(vii) National Financial Switch (NFS)

- The National Financial Switch is the largest interconnected network of automated Teller Machines (ATMs) in India.
- This system was developed by Institute of Development and Research in Banking Technology (IDRBT), Hyderabad in 2004.
- It is run by the National Payments Corporation of India (NPCI).

List of important Reports/Index published by International Organizations

Name of Reports	Published by
World Economic Outlook	International Monetary Fund (IMF)
Global Financial Stability Report	International Monetary Fund (IMF)
Ease of Doing Business	World Bank
World Development Report	World Bank
Global Economic Prospects Report	World Bank
Financial Stability Report	Reserve Bank of India (RBI)
Monetary Policy (India)	Reserve Bank of India (RBI)
Asian Development Outlook	Asian Development bank
Inclusive growth & Development Report	World Economic Forum
Environmental Performance Index	World Economic Forum
Global Competitive Index	World Economic Forum
Global Energy Architecture Performance Index Report	World Economic Forum

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Global Gender Gap Report	World Economic Forum
Human Capital Report	World Economic Forum
Inclusive growth & Development report	World Economic Forum
Human Development Index	United Nations Development Programme (UNDP)
Sustainable development Goals	United Nations Development Programme (UNDP)
Gender Inequality Index	United Nations Development Programme (UNDP)
Global Hunger Index	International Food Policy Research Institute (IFPRI)
Global Innovation Index	INSEAD
World Economic Situation and Prospects	United Nations Organizations (UN)
Economic Freedom Index	The Heritage Foundation
World Happiness Report	Sustainable Development Solution Network (SDSN)
Economic Outlook Report	Organisation for Economic Co-operation and Development (OECD)

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. **AIIB** - Asian Infrastructure Investment Bank
6. AMFI - Association of Mutual Funds in India
7. BIS - Bureau of Indian Standards
8. **BBPS** – Bharat Bill Payment System
9. **BCA** -Baseline Credit Assessment
10. **BHIM** - Bharat Interface for Money
11. **BLRA:** Bank Led Resolution Approach
12. CBL - Chest Balance Limit
13. CMFRI - Central Marine Fisheries Research Institute
14. **CBS** – Core Banking System
15. **CIDR** - Central Identities Data Repository
16. **CTS –** Cheque Truncation System
17. **CDR** - Corporate Debt Restructuring
18. **CASA** – Current Account Saving Account
19. **CAD** – Capital Account Deficit
20. **CRA** - Counterparty Risk Assessment
21. **CRR** – Cash Reserve Ratio
22. **ECS** – Electronic Clearing Service
23. **DNS** - Domain Name System
24. **DEAF** - Depositor Education and Awareness Fund
25. **EFTPOS -** Electronic funds transfer at point of sale
26. **EFT** – Electronic Fund Transfer.
27. FRBM - Fiscal Responsibility and Budget Management
28. **LGD** - Loss Given Default
29. **LTV**- Loan To Value
30. **LRS** - Liberalized Remittance Scheme
31. **LCR** - Liquidity Coverage Ratio
32. **GNFV -** Gross Negative Fair Value
33. **SFTs**: Securities financing transactions
34. **HCE -** Host Card Emulation
35. **PFE** - Potential Future Exposure
36. IIP - Index of Industrial Production
37. IBBI - Insolvency and Bankruptcy Board of India
38. IFC - International Finance Corporation
39. IDRBT - Institute for Development and Research in Banking Technology
40. Ind As - Indian Accounting Standards
41. ICAAP - Internal Capital Adequacy Assessment Process
42. **IFSC -** Indian Financial System Code
43. **IMPS** - Immediate Payment Service
44. **IMPS** - Interbank Mobile Payment Service
45. **MMID** - Mobile Money Identifier
46. **MPIN** - Mobile Personal Identification Number
47. **NPA** – Non- Performing Assets
48. **NSFR** - Net Stable Funding Ratio
49. **NPCI** - National Payment Corporation of India
50. **NFS** – National Financial Switch
51. **NSFR** - Net Stable Funding Ratio
52. **NACH** – National Automated Clearing House
53. **NEFT** – National Electronic Fund Transfer
54. **NFC** - Near field communication
55. **NDTL** – Net Demand and Time Liabilities.
56. **NASSCOM** - National Association of Software and Services Companies
57. **NIIF** - National Investment and Infrastructure Fund
58. **OTC** – Over the Counter
59. **PIN** – Personal Identification Number

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60. **PAC** - Personal Access Code
61. **PCA** - Prompt Corrective Action
62. **PCR** – Public Credit Registry
63. **PCR** - Provisioning Coverage Ratio
64. **PSPs** - Payment Support Providers
65. TC-CCP - Third-Country Central Counterparty
66. TRR - Temporary Recognition Regime
67. TReDS - Trade Receivables Discounting System
68. **RTGS** – Real Time Gross Settlement
69. **USSD** - Unstructured Supplementary Services Data
70. **UIDAI** - Unique Identification Authority of India
71. **VPA** - Virtual Payment Address.
72. WMA - Ways and Means Advances
73. **TIEA** - Tax Information and Exchange Agreement
74. **NRETP** - National Rural Economic Transformation Project
75. **IBC** - Insolvency and Bankruptcy Code
76. **GSP** - Generalised System of Preferences
77. **IFFCO** - Indian Farmers Fertilizer Co-operative
78. **PMJAY** - Pradhan Mantri Jan Arogya Yojana
79. **NBFC** - Non-banking finance companies
80. **SWIFT** - Society for Worldwide Interbank Financial Telecommunications
81. **NHB** – National Housing Bank
82. **NGT** - National Green Tribunal
83. DSIB – Domestically Systematically Important Bank
84. RWAs - Risk Weighted Assets
85. TCs - Trade credits
86. CSO - Central Statistics Office
87. ASSOCHAM - Associated Chambers of Commerce and Industry of India
88. WPI - Wholesale Price Index
89. FTA - Free Trade Agreement
90. NHB - National Housing Bank
91. YONO - You only need one
92. ARC - Asset Reconstruction Company
93. D-SIBs - Domestic Systemically Important Banks
94. MFIs - Micro Finance Institutions
95. FPIs - Foreign portfolio investors
96. FVCIs - Foreign venture capital investors
97. PPF - Public Provident Fund
98. NSC - National Savings Certificate
99. CbC - Country-by-Country
100. WEF - World Economic Forum
101. MPI - Multidimensional Poverty Index
102. UNDP - United Nations Development Programme
103. UPI - Unified Payments Interface
104. NPCI - National Payments Corporation of India
105. CII - Confederation of Indian Industry
106. NBCC - National Buildings Construction Corporation
107. NSSO - National Sample Survey Office
108. EMV - Europay, MasterCard, Visa.
109. FATF - Financial Action Task Force

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