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Banking Handbook 2018: For IBPS PO and IBPS Clerk Mains

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History of Indian Banking

- **1770:** The **Bank of Hindustan** was established in **Calcutta (Now Kolkata)**.
- **1806:** British open their first bank i.e. The Presidency Bank of Calcutta which was renamed as The Presidency Bank of Bengal in 1809.
- **1840:** Presidency Bank of Bombay was established.
- **1843:** Presidency Bank of Madras was established.
- **1865:** Allahabad Bank was established in 1865. It is also known as the India's Oldest Public Sector Bank.
- **1881:** Oudh Commercial Bank was opened and it was the first bank of India with limited Liability to be managed by Indian Board. It is also known as The First Commercial Bank of India.
- **1894:** The First Bank purely managed by Indians was Punjab National Bank established in Lahore in 1894.
- **1911:** In 1911 Central Bank of India was opened which was completely owned and managed by Indians. It is also known as the India's First Truly Swadeshi Bank.
- **1921:** In 1921, Presidency Banks were merged to form Imperial Bank of India and it was a private entity.
- **1926:** In 1926, Hilton Young Commission was formed to reform the Indian Banking System.
- **1935:** On 1st April 1935, RBI (Reserve Bank of India) was setup on the recommendation of Hilton Young Commission. It was established via the RBI Act 1934.
- **1946:** Bank of India was the First Indian Bank to open a branch outside India in London in 1946.
- Initially RBI was the Central bank of three countries viz. Myanmar (1937- 1947), Pakistan (till 1948), India (till now).
- **1949:** On 1st January 1949, Reserve Bank of India was nationalized.
- **1955:** In 1955, Imperial Bank of India was nationalised and renamed as State Bank of India, on the recommendation of "A.D. Gorewala Committee".
- **1959:** 8 banks were attached with SBI in 1959 known as the Associate Bank of SBI.
- **1969:** On 19th July 1969, First Phase of Nationalisation took place in which 14 banks with minimum capital of 50 Crore were nationalized.
- **1975:** On the recommendation of Narasimham Committee, Regional Rural banks were formed on October 02, 1975.
- **1980:** On 15 April 1980 Second Phase of Nationalisation took place in which six more commercial banks with minimum capital of 200 Crore were nationalized.
- **1991:** In 1991, Narasimham Committee gave its recommendation i.e. allow the entry of private sector entities into the banking system.
- **1993:** New Bank of India was merged with Punjab National Bank on 4th September in 1993.
- **2013:** To enhance Financial Inclusion RBI Proposed to setup 2 new kinds of Banks i.e. Payment Banks and Small Banks.
- **2015:** In 2015, IDFC and Bandhan Bank were established.

Classification of Banks in India

Banks are classified into scheduled and non-scheduled banks. Scheduled banks can further be classified into commercial banks and cooperative banks. Commercial Banks can be further classified into public sector banks, private sector banks, foreign banks and Regional Rural Banks (RRB). On the other hand, cooperative banks are classified into urban and rural. Apart from these, a fairly new addition to the structure is payments bank.

Scheduled & Non Scheduled Banks

A scheduled bank is a bank that is listed under the second schedule of the RBI Act, 1934. Non-scheduled banks are those which are not included in the second schedule of the RBI Act, 1934.

Commercial Banks

Commercial banks may be defined as, any banking organization that deals with the deposits and loans of business organizations.Commercial banks issue bank checks and drafts, as well as accept money on term deposits.

Public Sector Banks

These are banks where majority stake is held by the Government of India.

Private Sector Banks

These are banks majority of share capital of the bank is held by private individuals. These banks are registered as companies with limited liability. Examples of private sector banks are: ICICI Bank, Axis bank, HDFC, etc.

Foreign Banks

These banks are registered and have their headquarters in a foreign country but operate their branches in our country. Examples of foreign banks in India are: HSBC, Citibank, Standard Chartered Bank, etc

Regional Rural Banks

Regional Rural Banks were established under the provisions of an Ordinance promulgated on the 26th September 1975 and the RRB Act, 1976 with an objective to ensure sufficient institutional credit for agriculture and other rural sectors. The area of operation of RRBs is limited to the area as notified by GoI covering one or more districts in the State.

Cooperative Banks

A co-operative bank is a financial entity which belongs to its members, who are at the same time the owners and the customers of their bank. Co-operative banks are often created by persons belonging to the same local or professional community or sharing a common interest.

RBI and It's Functions

Following are some of the **important facts related RBI** and it's functions.

- RBI was established on **1st April 1935**.
- RBI was established via the RBI Act 1934, so it is also known as a statutory body.
- RBI was established under the recommendations of a committee called "**Hilton Young Commission**".
- RBI is also known as the **Central Bank of India**.
- RBI is also known as the **Bank of last resort/Banker's bank/Government's bank**.
- Initially Headquarter of RBI was established in Calcutta, but permanently moved to **Mumbai** in 1937.
- The first Governor of the Reserve Bank of was **Sir Osborne Smith**.
- **K.J.Udeshi**. was the first women Deputy Governor of RBI.
- RBI was nationalised on **1st January 1949**.
- Tenure of RBI governor is 3 Years and it can be extended by two years.
- At Present, **Urjit Patel** is the Governor of RBI.
- Following are the current Deputy Governors of RBI:
  - N.S. Vishwanathan
  - Viral. V. Acharya
  - B.P. Kanungo
  - Mahesh Kumar Jain (IDBI CEO)

Following are the **main functions Of RBI**:

- **Monetary Authority**: Formulates implements and monitors the monetary policy.
- **Regulator and supervisor of the financial system**: Prescribes broad parameters of banking operations within which the country's banking and financial system functions.
- **Manager of Foreign Exchange**: Manages the Foreign Exchange Management Act, 1999.

- **Issuer of Currency**: Issues and exchanges or destroys currency and coins not fit for circulations.
- **Development role**: Performs a wide range of promotional functions to support national objectives.
- **Bankers to the Government**: Performs merchant banking function for the central and the state governments; also acts as their banker.
- **Bankers to banks**: Maintains banking accounts of all scheduled banks.

Monetary Policy and It's Tools

Important Policy Rates (On 14th November 2018)	
Repo Rate	6.50%
Reverse Repo Rate	6.25%
Marginal Standing Facility Rate	6.75%
Bank Rate	6.75%
CRR	4%
SLR	19.50%

The Reserve Bank of India (RBI) is vested with the responsibility of conducting monetary policy. Monetary policy is the macroeconomic policy laid down by the central bank. It involves management of money supply and interest rate and is the demand side economic policy used by the government of a country to achieve objectives like controlled inflation, consumption, growth and liquidity. RBI uses two types of instruments in order to implement Monetary Policy:

1. Quantitative Instruments:

Quantitative Instruments are the general tools used by RBI. These are the most frequently used tools.

- **Repo Rate:** Repo rate is the rate at which the central bank of a country (Reserve Bank of India in case of India) lends money to commercial banks in the event of any shortfall of funds.
- **Reverse Repo Rate:** Reverse Repo rate is the short term borrowing rate at which RBI borrows money from banks. The Reserve bank uses this tool when it wants to limit the excess money floating in the banking system.
- **Marginal Standing Facility (MSF) Rate:** It is a special window for banks to borrow from RBI against approved government securities in an emergency situation like an acute cash shortage.
- **Bank Rate:** This is similar to Repo Rate but for a longer duration. This is the rate at which central bank (RBI) lends money to other banks or financial institutions.
- **Gross Value Added Growth:** Put simply, Gross Value Added (GVA) Growth is a measure of total output and income in the economy. It provides the rupee value for the amount of goods and services produced in an economy after deducting the cost of inputs and raw materials that have gone into the production of those goods and services. It also gives sector-specific picture like what is the growth in an area, industry or sector of an economy.
- **Cash Reserve Ratio (CRR):** Cash Reserve Ratio is money that banks park with the RBI for free, without receiving any interest on it. The CRR, now at 4 per cent, is calculated as a percentage of each bank's net demand and time liabilities (NDTL). NDTL refers to the aggregate savings account, current account and fixed deposit balances held by a bank.
- **Statutory Liquidity Ratio (SLR):** Apart from Cash Reserve Ratio (CRR), banks have to maintain a stipulated proportion of

their net demand and time liabilities in the form of liquid assets like cash, gold etc. Treasury bills, dated securities issued under market borrowing programme and market stabilisation schemes (MSS), etc also form part of the SLR. Banks have to share their SLR report to the RBI every alternate Friday.

2. Qualitative Instruments:
Qualitative instruments are used by the RBI for selective purposes. Some of them are

- **Margin requirements:** This refers to difference between the securities offered and and amount borrowed by the banks.
- **Consumer Credit Regulation:** This refers to issuing rules regarding down payments and maximum maturities of installment credit for purchase of goods.
- **Guidelines:** RBI issues oral, written statements, appeals, guidelines, warnings etc. to the banks.
- **Rationing of credit:** The RBI controls the Credit granted/allocated by commercial banks.
- **Moral Suasion:** psychological means and informal means of selective credit control.
- **Direct Action:** This step is taken by the RBI against banks that don't fulfill conditions and requirements. RBI may refuse to rediscount their papers or may give excess credits or charge a penal rate of interest over and above the Bank rate, for credit demanded beyond a limit.

Types of Bank Accounts

Bank Accounts are classified into four different types. They are,

- **Current Account**
- **Savings Account**
- **Recurring Deposit Account**
- **Fixed Deposit Account**

1. Current Account: Current account is mainly for business persons, firms, companies, public enterprises etc and are never used for the purpose of investment or savings. These deposits are the most liquid deposits and there are no limits for number of transactions or the amount of transactions in a day. While, there is no interest paid on amount held in the account, banks charges certain service charges, on such accounts. The current accounts do not have any fixed maturity as these are on continuous basis accounts.

2. Savings Account: Savings Account is meant for saving purposes. Any individual either single or jointly can open a savings account. Most of the salaried persons, pensioners and students use Savings Account. The advantage of having Savings Account is Banks pay interest for the savings. The saving account holder is allowed to withdraw money from the account as and when required.

3. Recurring Deposit Account: Recurring deposit account or RD account is opened by those who want to save certain amount of money regularly for a certain period of time and earn a higher interest rate. In RD account a fixed amount is deposited every month for a specified period and the total amount is repaid with interest at the end of the particular fixed period.

4. Fixed Deposit Account: In Fixed Deposit Account (also known as FD Account), a particular sum of money is deposited in a bank for specific period of time. It's one time deposit and one time take away (withdraw) account. The money deposited in this account can not be withdrawn before the expiry of period. However, in case of need, the depositor can ask for closing the fixed deposit prematurely by paying a penalty. The penalty amount varies with banks.

Negotiable Instruments act, 1881

Negotiable Instruments are defined under Negotiable Instruments 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.

1. Promissory notes: A "promissory note" is an instrument in writing containing an unconditional undertaking signed by the maker, to pay a certain sum of money only to, or to the order of, a certain person, or to the bearer of the instrument.

2. Bill of exchange: A "bill of exchange" is an instrument in writing containing an unconditional order, signed by the maker, directing a certain person to pay a certain sum of money only to, or to the order of, a certain person or to the bearer of the instrument.

3. Cheques: Cheque is an instrument in writing containing an unconditional order, addressed to a banker, sign by the person who has deposited money with the banker, requiring him to pay on demand a certain sum of money only to or to the order of certain person or to the bearer of instrument. Following are the types of cheque
Bearer Cheque: In this type of cheque, the person who bears the cheque is authorised to collect the amount of money.

- **Order Cheque:** In this type, the person whose name is written on the cheque is authorized to collect the amount. A Bearer cheque will become order cheque if by payee name the word "Or Bearer" is replaced by the word "Or Order".
- **Blank Cheque:** In this type of cheque, drawer put his/her sign on the cheque and left all other columns empty.
- **Ante-Dated Cheque:** If a Cheque is issued by drawer prior to the date of signing is known as the Ante-Dated cheque.
- **Post-Dated Cheque:** If the cheque issued by the drawer to the payee for the upcoming date of withdrawl, then it is known as the Post-Dated cheque.
- **Stale Cheque:** If any cheque issued by a drawer does not get withdrawl from the bank until three months, then this type of cheque is known as the stale cheque.
- **Crossed Cheque:** If two parallel line made on the front part of the cheques, then this type of cheque is known as the crossed cheque.
- **Mutilated Cheque:** If a cheque is torn into two or more pieces then such cheque is known as Mutilated Cheque.
- **At Par Cheque:** These cheques are accepted at all its branches across the country.

4. 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 of its own branches to pay a certain sum to the specified party (Payee) directly without involving the drawing bank after presenting.

5. Certificates of deposit: Certificate of Deposit (CD) refers to a money market instrument, which is negotiable and equivalent to a promissory note. It is either issued in demat form or in the form of a usance promissory note. This instruments is issue in lieu of the funds deposited at a bank for a specified time period.

6. Endorsement: Endorsement means the signature of the maker/ drawer or a holder of a negotiable instrument, either with or without any writing, for the purpose of negotiation.

Priority Sector Lending

Priority sector refers to those sectors of the economy which may not get Timely and Adequate Credit in the absence of this special dispensation. Typically, these are small value loans to farmers for agriculture and allied activities, micro and small enterprises, poor people for housing, students for education and other low income groups and weaker sections. In order to encourage Micro, Small and Medium Enterprises (MSME), loans for Medium Enterprises will be part of PSL besides a separate sub limit will be for the micro enterprises.

Priority sector became the topic of discussion in 1972, following the National Credit Council's plea stating that more emphasis should be given by commercial banks to the Priority Sector. Therefore, initially, in 1974, the commercial banks were given a target of 33.33% of their total credit should go to the Priority Sector. Following the recommendations of Dr. K S Krishanaswamy Committee, this target was revised to 40% of the total credit given by the banks. Dr. K S Krishnaswamy Committee defined priority sector as the sectors of economy involving Agriculture Finance, Retail Trade, Small Enterprises, Education Loans, Micro Credit and housing loans. 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

1. Agriculture
18 percent of ANBC or Credit Equivalent Amount of Off-Balance Sheet Exposure, whichever is higher. Within the 18 percent target for agriculture, a target of 8 percent of ANBC or Credit Equivalent Amount of Off-Balance Sheet Exposure, whichever is higher is prescribed for Small and Marginal Farmers, to be achieved in a phased manner i.e., 7 per cent by March 2016 and 8 per cent by March 2017.

2. Micro Enterprises
7.5 percent of ANBC or Credit Equivalent Amount of Off-Balance Sheet Exposure, whichever is higher to be achieved in a phased manner i.e. 7 per cent by March 2016 and 7.5 per cent by March 2017. The sub-target for Micro Enterprises for foreign banks with 20 branches and above would be made applicable post 2018 after a review in 2017.

3. Advances to Weaker Sections
10 percent of ANBC or Credit Equivalent Amount of Off-Balance Sheet Exposure, whichever is higher. Foreign banks with 20 branches and above have to achieve the Weaker Sections Target within a maximum period of five years starting from April 1, 2013 and ending on March 31, 2018 as per the action plans submitted by them and approved by RBI.

Indian Financial Market

A financial market consists of two major segments:

Money Market
The money market is a market for short-term funds, which deals in financial assets whose period of maturity is up to one year. It should be noted that money market does not deal in cash or money as such but simply provides a market for credit instruments such as bills of exchange, promissory notes, commercial paper, treasury bills, etc.

Money Market Instruments:

- **Call Money:** Call money is mainly used by the banks to meet their temporary requirement of cash. They borrow and

lend money from each other normally on a daily basis. It is repayable on demand and its maturity period varies in between one day to a fortnight. The rate of interest paid on call money loan is known as call rate.

- **Treasury Bill:** A treasury bill is a promissory note issued by the RBI to meet the short-term requirement of funds. Treasury bills are highly liquid instruments, that means, at any time the holder of treasury bills can transfer of or get it discounted from RBI. These bills are normally issued at a price less than their face value; and redeemed at face value. So the difference between the issue price and the face value of the treasury bill represents the interest on the investment. These bills are secured instruments and are issued for a period of not exceeding 364 days.

- **Commercial Paper:** Commercial paper (CP) is a popular instrument for financing working capital requirements of companies. The CP is an unsecured instrument issued in the form of promissory note. This instrument was introduced in 1990 to enable the corporate borrowers to raise short-term funds. It can be issued for period ranging from 15 days to one year.

- **Certificate of Deposit:** Certificate of Deposit (CDs) are short-term instruments issued by Commercial Banks and Special Financial Institutions (SFIs), which are freely transferable from one party to another. The maturity period of CDs ranges from 91 days to one year.

- **Trade Bill:** Normally the traders buy goods from the wholesalers or manufactures on credit. The sellers get payment after the end of the credit period. But if any seller does not want to wait or in immediate need of money he/she can draw a bill of exchange in favour of the buyer. When buyer accepts the bill it becomes a negotiable instrument and is termed as bill of exchange or trade bill.

Capital Market

Capital Market may be defined as a market dealing in medium and long-term funds. It is an institutional arrangement for borrowing medium and long-term funds and which provides facilities for marketing and trading of securities. It consists of two different segments namely primary and secondary market. The primary market deals with new or fresh issue of securities and is, therefore, also known as new issue market; whereas the secondary market provides a place for purchase and sale of existing securities and is often termed as stock market or stock exchange.

Primary Market

The Primary Market consists of arrangements, which facilitate the procurement of longterm funds by companies by making fresh issue of shares and debentures. You know that companies make fresh issue of shares and/or debentures at their formation stage and, if necessary, subsequently for the expansion of business.

Secondary Market

The secondary market known as stock market or stock exchange plays an equally important role in mobilising long-term funds by providing the necessary liquidity to holdings in shares and debentures. It provides a place where these securities can be encashed without any difficulty and delay. It is an organised market where shares, and debentures are traded regularly with high degree of transparency and security.

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SSC

CGL | CPO | CHSL | SSC JE Civil | SSC JE Electrical | IB Security Assistant | Stenographer | MTS | GD Constable | SE

State Exams

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DICGC (Deposit Insurance & Credit Guarantee Corporation of India)

The concept of insuring deposits kept with banks received attention for the first time in the year 1948 after the banking crises in Bengal. Serious thought to the concept was given by the Reserve Bank of India and the Central Government after the crash of the Palai Central Bank Ltd., and the Laxmi Bank Ltd. in 1960. The Deposit Insurance Corporation (DIC) Bill was introduced in the Parliament in 1961 and came into force on 1st January 1962.

Which Banks Are Insured?
All the commercial banks and co-operative banks functioning in India are insured by the DICGC.

What does the It insure?
In the event of a bank failure, DICGC protects bank deposits that are payable in India. The DICGC insures all deposits such as savings, fixed, current, recurring, etc. except the following types of deposits.
(i) Deposits of foreign Governments;
(ii) Deposits of Central/State Governments;
(iii)Inter-bank deposits;
(iv) Deposits of the State Land Development Banks with the State co-operative bank;
(v) Any amount due on account of any deposit received outside India
(vi) Any amount, which has been specifically exempted by the corporation with the previous approval of Reserve Bank of India.

Maximum Deposit Amount Insured by the DICGC?
Each depositor in a bank is insured upto a maximum of Rs.1,00,000 (Rupees One Lakh) for both principal and interest amount held by him.

Non Performing Assets

An asset, including a leased asset, becomes non-performing when it ceases to generate income for the bank. A 'non-performing asset' (NPA) was defined as a credit facility in respect of which the interest and/ or installment of principal has remained 'past due' for a specified period of time.

Categories of NPAs
Banks are required to classify non-performing assets further into the following three categories based on the period for which the asset has remained non-performing and the realisability of the dues:

Sub-standard Assets
A sub-standard asset is one, which has remained NPA for a period less than or equal to 18 months.

Doubtful Assets
An asset is to be classified as doubtful, if it has remained NPA for a period exceeding 18 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.

Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act (SARFAESI) 2002

SARFAESI Act was enacted to regulate securitization & reconstruction of financial assets & enforcement of security interest created in respect of Financial Assets to enable realization of such assets.

SARFAESI Act, 2002 provides power to the bank to seize the property. Defaulting borrowers are given notice by the bank to discharge their liabilities within a period of 60 days. If the defaulting borrower fails to comply with the notice sent by the bank then the SARFAESI Act provides for the following recourse to the bank -
Take possession of the security for the loan
Sale or lease or assign the right to the security

Manage the same or appoint any person to manage the same.

ATM and It's Types

Automated Teller Machine is a computerized machine that provides the customers of banks the facility of accessing their account for dispensing cash and to carry out other financial & non-financial transactions without the need to actually visit their bank branch.

Onsite ATM: ATMs inside the bank compound are known as Onsite ATMs.

Offsite ATMs: The ATMs that are located in various places except inside the bank premises are known as Offsite ATMs.

White Label ATM: The ATMs that are set up by Non-Banking Financial Companies and offer services are known as White Label ATMs.

Yellow Label ATM: The ATMs that are provided for E-Commerce reasons.

Brown Label ATM: A service provider owns the hardware and lease of the machine but a bank manages the cash and connectivity to bank network. In this case, the ATM is termed Brown Label.

Orange Label ATM: These ATMs are provided for share transactions.

Pink Label ATM: Meant only for Women.

Green Label ATM: These ATMs are provided for agricultural transactions.

Types of Banking

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

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

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

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

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

Wholesale Banking:
Wholesale banking can be referred to as the services provided by banks to organisations like Mortgage Brokers, corporate clients, medium scale companies, real estate developers and investors, international trade finance businesses,

institutional customers (such as pension funds & government agencies) and services offered to other banks or financial institutions.

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

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

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

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

Chain Banking:
Chain banking is a type of banking which is a group of minimum 3 banks held together by a group of people to carry out effective banking activities. Instead of having a holding company the bank functions independently. The revenue is maximised since there is no overlap of activities.

Relationship Banking
In such a type of banking, the the major needs of the customers are understood by the bank and accordingly banking services are provided to the individual. Banks get to know if the customer is credit worthy since they have to gather information about its customers.

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

Prompt Corrective Actions

To ensure that banks do not go bankrupt, RBI has put in place some trigger points such as halting branch expansion and stopping dividend payment to assess, monitor, control and take corrective actions on banks which are weak and troubled. Other corrective actions that can be imposed on banks include special audit, restructuring operations and activation of the recovery plan. Banks' promoters can be asked to bring in new management, too. The RBI can also supersede the bank's board
The process or mechanism under which such actions are taken by RBI is known as Prompt Corrective Action.

RBI specification on PCA
RBI has set trigger points based on CRAR, NPA and ROA.

CRAR: CRAR is capital to risk-weighted assets ratio.
NPA: In a layman language NPA is the amount of loan that was not returned by the customer and when it stops generating income for the bank those assets become NPA.
ROA: Return on Assets is a financial ratio that shows the percentage of profit that company earns in relation to its overall resources.
Based on each trigger points RBI has made a binding plan which is to be followed by the banks.
Trigger Points:

CRAR

- CRAR less than 9% but equal or more than 6%
- CRAR less than 6% but equal or more than 3%
- CRAR less than 3%

NPAs

- Net NPAs over 10% but less than 15%
- Net NPAs 15% and above

ROA

- ROA below 0.25%.

Bank's Step after PCA

Bank will not access/renew costly deposits and CDs.
Bank will launch a special drive to reduce the stock of NPAs and contain generation of fresh NPAs.
The Bank will not enter into new lines of business.
RBI will impose restrictions on the bank on borrowings from the interbank market.
Bank will not expand its staff/fill up vacancies.

Banks Board Bureau (BBB)

Banks Board Bureau is the first ingenuity towards a holding company structure for public sector banks (PSBs). BBB is an autonomous body of Union Government of India tasked to improve the governance of Public Sector Banks, recommend selection of chiefs of government-owned banks and financial institutions and to help banks in developing strategies and capital raising plans. It was announced by Union Government in August 2015 as part of seven point Indradhanush Mission to revamp PSBs and started functioning in April 2016. Bhanu Pratap Sharma is Chairman of the Banks Board Bureau (BBB).

Functions of BBB:
Give recommendations for appointment of full-time Directors as well as non-Executive Chairman of PSBs.
Give advice to PSBs in developing differentiated strategies for raising funds through innovative financial methods and instruments and to deal with issues of stressed assets.
Guide banks on mergers and consolidations and governance issues to address bad loans problem among other issues.

National Payments Corporation of India (NPCI)

National Payments Corporation of India (NPCI) is a national level payment system which manages all types of electronic retail payments. It is owned by a group of promoter banks and was set up under the guidance and support of the reserve bank of India (RBI) and Indian banks' association (IBA). It was founded in 2008 as a not-for-profit organisation registered under section 25 of the Companies Act, 2013.
The authorized capital was pegged at Rs 300 crore and paid-up capital was Rs 100 crore.

Products and Services of NPCI:-
1. National Financial Switch (NFS)
2. Bharat Interface for Money (BHIM)

3. Unified Payments Interface (UPI)
4. National Automated Clearing House (NACH)
5. Rupay Card
6. Bharat Bill Payment System (BBPS)
7. Cheque truncation System.
8. Aadhar Payment Bridge System.
9. Bharat Bill payment Service.

BHIM App

BHIM is an acronym of Bharat Interface For Money Application. It is a mobile app launched by Govt. of India for instant money transfer through a mobile. The mobile app is based on the Unified Payment Interface (UPI).
The BHIM App has been developed by National Payments Corporation of India (NPCI) and is available on Android, iOS and Windows operating system for mobiles.

Important Features of BHIM

- A user can transfer money to any bank account
- No fee is charged for any transactions through the App.
- The money transfer instant without any delays
- Money can be transferred any time.
- BHIM app can send money through – VPA, mobile number, MMID code, IFSC code, USSD code, Aadhar number and even by 'scan and pay' option for merchant payments.
- Having an internet connection is not mandatory for making transactions through the app

Transaction Limit

- Transaction limit per day is limited to Rs.20,000
- Transaction limit per transaction is Rs.1 to Rs.10,000
- USSD(Unstructured Supplementary Service Data) transaction per day set at Rs. 5,000. Mobile operator may charge you up to Rs.1.50 per transaction.

Bharat Bill Payment System (BBPS)

Bharat Bill Payment System (BBPS) is a RBI mandated system which offers integrated and interoperable bill payment services to customers across geographies with certainty, reliability and safety of transactions. It offers bill payment services to customers through network of agents or online, allowing multiple payment modes and provides instant confirmation. It will facilitate a cashless society through migration of bill payments from cash to electronic channel.

Why BBPS?
Interoperable: BBPS will be an integrated platform connecting banks and non-banks in bills aggregation business, billers, payment service providers and retail bill outlets.
Accessible: It will facilitate seamless payment of bills through any channel including Agent-Assisted Model at any Agent/BC outlet/bank branch/ online channels.
Integration: BBPOU (Bharat Bill Payment Operating Unit) i.e Banks/Non-Banks will have to connect only to BBPCU (Bharat Bill Payment Central Unit) i.e NPCI (National Payment Corporation of India) to get access to all the billers. Billers need to connect to just one BBPOU to enable all customers to pay their bills.
Clearing & Settlement: Multiple clearing and guaranteed settlements between different parties with standardized TAT.
Complaint Management: BBPS will put in place standardized complaint management system to handle customer grievance for all kind of transactions.

UPI:
Unified Payments Interface (UPI) system is been developed for all retail payments in the country. It has been developed by National Payments Corporation of India (NPCI) to make the transfer

of money easy and simple. It was launched on 11th April 2016.

Benefits of UPI:
Unified Payments Interface eliminates the need to share your name, your bank account number, IFSC code, or bank branch.
UPI also eliminates the use of physical tools like debit cards.
The authentication is instant and secure and can be initiated anywhere.
Customers can also use the Unified Payments Interface to make online payments of utility bills and school fees.

National Electronic Fund Transfer (NEFT)

Meaning: It is way in which you can transfer fund from any bank account to any other bank account holder in India. NEFT is based on batch processing system.
Minimum amount: No limit
Maximum amount: No limit
Time limit: The transactions are processed in hourly batches. There are twelve settlements from 8 A.M. to 7 P.M. on the weekdays (Monday-Friday) and six settlements from 8 A.M. to 1 P.M. on Saturday. The maximum time consumed is 2 hours from the submitting of the transaction in a batch.
Availability: NEFT is not available on the bank holidays, RBI holiday and Sunday.

Note - For transferring funds to Nepal, the limit is of Rs. 50,000.

Real Time Gross Settlement (RTGS)
Meaning: It is way in which you can transfer fund from any bank account to any other bank account holder in India in real time.
Minimum Amount: Rs 2,00,000
Maximum Amount: No limit
Time limit: The transactions are processed on order basis i.e. Real time. The RTGS service is available from 9 A.M to 4:30 P.M. on the weekdays (Monday – Friday) and from 9 A.M. to 2 P.M. on Saturday. The transfer is instant but the bank is allowed to take up to 2 hours for crediting the amount to the depositor account.
Availability: RTGS is not available on the bank holidays, RBI holiday and Sunday.

Inter Mobile Payment Service (IMPS)

Meaning: It is way in which you can transfer fund from any bank account to any other bank account holder in India anytime.
Minimum amount – Rs 1
Maximum amount – Banks are allowed to set their own limit for IMPS
Time limit: It is real time. The depositor account is credited in less than 1 minute from the submission of transaction.
Availability: IMPS can be done 24X7 even on bank holidays, RBI holiday and Sunday.

Small Finance Banks

Small Banks are physical banks whose aim is to provide basic banking products such as deposits and supply of credit, but in a limited area of operation. The objective for these Small Banks is to increase financial inclusion by provision of savings vehicles to under-served and unserved sections of the population, supply of credit to small farmers, micro and small industries, and other unorganised sector entities through high technology-low cost operations.

Important features of Small Banks:

- They can accept any deposit (savings, current, fixed deposits, recurring deposits) like commercial banks.
- Unlike payment banks, small finance banks will be allowed to lend money also.
- NBFC's , any individual with 10 years of experience in banking can apply for licenses.
- Their target are small businesses and MSMEs.
- They are not allowed to lend the deposited money to big businesses or industries.

Some of the conditions for setting up Small Bank:

- Minimum paid-up equity capital requirement of Rs 100 crore.
- They cannot set up subsidiaries to undertake non-banking financial service activities.
- 75% of its Adjusted Net Bank Credit (ANBC) should be advanced to the priority sector as categorized by RBI.
- Maximum loan size to a single person cannot exceed 10% of total capital funds; cannot exceed 15% in the case of a group.
- At least 50% of its loans should constitute loans and advances of up to 25 lakh.
- A fundamental requirement is that it must have 25% of its branches set up in unbanked areas.

Payment Banks

The main objective of the payment bank is providing small savings accounts and payments or remittance services to low income household's small businesses, other unorganized sector entities and other users.

Guidelines and Regulations to follow

1. The initial minimum capital requirement of ₹100 Crore is mandatory. FDI of 74% is allowed.

2. The promoter contribution must be 40% for the first 5 years.

3. Non – resident Indians (NRI) will not be allowed to open accounts in payment banks.

5. Payment banks must maintain CRR minimum 75% of demand deposits in government bonds of upto one year.

6. They must maintain maximum 25% in current and fixed deposits with other scheduled commercial banks for operational purpose and liquidity management.

7. 25% of its branches must be in the unbanked rural area.

8. The banks will be licensed as payments banks under Section 22 of the Banking Regulation Act, 1949, and will be registered as public limited company under the Companies Act, 2013.

10. They don't have rights to provide lending services such as credit cards and issue loans facilities.

11. These banks can able to operate current accounts and saving accounts.They can issue ATM or Debit cards, Net Banking and Mobile Banking facilities to their customers.

12. The payment banks can take restricted deposits which is currently limited to ₹1 lakh per customer.

13. They can distribute the non-risk financial products such as mutual funds and insurance.

Credit Rating Agencies

A credit rating agency is a company that reviews the creditworthiness of an entity that is in the process of or has already issued debt. The resulting credit ratings are used by investors to evaluate whether they should invest in debt securities.

Leading Credit Rating Agency in India

CRISIL: Credit Rating Information Services of India Limited
Headquarter – Mumbai

ICRA: Investment information and credit rating agency
Headquarter - Gurgaon, India

CARE: Credit Analysis and Research
Headquarters – Mumbai

ONICRA: Headquarter - Gurgaon, India

SMERA: Headquarters – Mumbai

Fitch (India Ratings & Research)
Headquarters – Mumbai

Basel Norms

Basel is a city in Switzerland which is also the headquarters of Bureau of International Settlement (BIS). BIS fosters co-operation among central banks with a common goal of financial stability and common standards of banking regulations. The Bank for International Settlements (BIS) established on 17 May 1930, is the world's oldest international financial organisation.

Objective

The set of the agreement by the BCBS (BASEL COMMITTEE ON BANKING SUPERVISION), which mainly focuses on risks to banks and the financial system are called Basel accord. The purpose of the accord is to ensure that financial institutions have enough capital on account to meet the obligations and absorb unexpected losses. India has accepted Basel accords for the banking system. BASEL ACCORD has given us three BASEL NORMS which are BASEL 1,2 and 3.

BASEL I

- In 1988, The Basel Committee on Banking Supervision (BCBS) introduced capital measurement system called Basel capital accord, also called as Basel 1.
- It focused almost entirely on credit risk, It defined capital and structure of risk weights for banks.
- The minimum capital requirement was fixed at 8% of risk-weighted assets (RWA).
- India adopted Basel 1 guidelines in 1999.

BASEL II

In 2004, Basel II guidelines were published by BCBS, which were considered to be the refined and reformed versions of Basel I accord. The guidelines were based on three parameters which are as follows:

- Banks should maintain a minimum capital adequacy requirement of 8% of risk assets.
- Banks were needed to develop and use better risk management techniques in monitoring and managing all the three types of risks that is credit and increased disclosure requirements.
- The three types of risk are- operational risk, market risk, capital risk.
- Banks need to mandatory disclose their risk exposure, etc to the central bank.

Basel III measures aim to:

- Improve the banking sector's ability to absorb shocks arising from financial and economic stress, whatever the source
- Improve risk management and governance
- Strengthen banks' transparency and disclosures.

Thus we can say that Basel III guidelines are aimed at to improve the ability of banks to withstand periods of economic and financial stress as the new guidelines are more stringent than the earlier requirements for capital and liquidity in the banking sector.

The basic structure of Basel III remains unchanged with three mutually reinforcing pillars:

Pillar 1: Minimum Regulatory Capital Requirements based on Risk Weighted Assets (RWAs) : Maintaining capital calculated through credit, market and operational risk areas.

Pillar 2: Supervisory Review Process : Regulating tools and frameworks for dealing with peripheral risks that banks face.

Pillar 3: Market Discipline : Increasing the disclosures that banks must provide to increase the transparency of banks.

Important Committees

Sr. No	Name of Committee	Areas On Which The Committee Worked On
1	A C Shah Committee	NBFC
2	Abid Hussain Committee	Development Of Capital Markets
3	B Sivaraman Committee	Institutional Credit For Agricultural & Rural Development
4	B Venkatappaiah Committee	All India Rural Credit Review
5	BD Shah Committee	Stock Lending Scheme
6	Bhave Committee	Share Transfer Reforms
7	Bhide Committee	Coordination Between Commercial Banks And SFC's
8	C Rao Committee	Agricultural Policy
9	Dave Committee	Mutual Funds (Functioning)
10	DR Gadgil Committee	Agricultural Finance
11	Dutta Committee	Industrial Licensing
12	G Lakshmai Narayan Committee	Extension Of Credit Limits On Basis Of Consortium
13	Gadgil Committee (1969)	Lead Banking System
14	Hathi Committee	Soiled Banknotes
15	IT Vaz Committee	Working Capital Finance In Banks
16	James Raj Committee	Functioning Of Public Sector Banks
17	Jankiramanan Committee	Securities Transactions Of Banks & Financial Institutions
18	K Madhav Das Committee	Urban Cooperative Banks
19	Kamath Committee	Education Loan Scheme
20	Khanna Committee	Non-Performing Assets
21	KS Krishnaswamy Committee	Role Of Banks In Priority Sector And 20 Point Economic Programme
22	Marathe Committee	Licensing Of New Banks
23	ML Dantwala Committee	Regional Rural Banks
24	Mrs. KS Shere Committee	Electronic Fund Transfer
25	Nariman Committee	Branch Expansion Programme
26	Narsimham Committee	Financial System
27	P Selvam Committee	Non-Performing Assets Of Banks
28	PC Luther Committee	Productivity, Operational Efficiency & Profitability Of Banks
29	Pendarkar Committee	Review The System Of Inspection Of Commercial, RRB And Urban Cooperative Banks
30	Pillai Committee	Pay Scales Of Bank Officers
31	Purshottam Das Committee	Agricultural Finance And Cooperative Societies
32	Rajamannar Committee	Changes In Banking Laws , Bouncing Of Cheques Etc.
33	Rangrajan Committee	Computerization Of Banking Industry
34	Rashid Jilani Committee	Cash Credit System
35	RG Saraiya Committee (1972)	Banking Commission
36	RN Mirdha Committee	Cooperative Societies
37	S Padmanabhan Committee	Inspection Of Banks (By RBI)
38	Samal Committee	Rural Credit
39	Shankar Lal Gauri Committee	Agricultural Marketing
40	Sodhani Committee	Foreign Exchange Markets In NRI Investment In India
41	SS Kohli Committee	Willful Defaulters
42	Sukhmoy Chakravarty Committee	To Review The Working Of Monetary System
43	Tandon Committee	Follow Up Of Bank Credit
44	Thingalaya Committee	Restructuring Of RRB
45	UK Sharma Committee	Lead Bank Scheme (Review)

46	Usha Thorat Panel	Financial Inclusion
47	Vaghul Committee	Mutual Fund Scheme
48	Vipin Malik Committee	Consolidated Accounting By Banks
49	Vyas Committee	Rural Credit
50	Wanchoo Committee	Direct Taxes
51	WS Saraf Committee	Technology Issues In Banking Industry
52	Y H Malegam Committee	Disclosure Norms For Public Issues
53	YV Reddy Committee	Reforms In Small Savings

List Of Banks and Their Mobile Applications

UPI App	Partnership Bank Name
My Airtel-Recharge, Bill, Bank	Airtel Payments Bank
Allahabad Bank UPI	Allahabad Bank
Andhra Bank ONE – UPI App	Andhra Bank
AxisPay	Axis Bank
Samsung Pay	AXIS Bank
Baroda MPay	Bank of Baroda
Maha UPI	Bank of Maharashtra
Canara Bank UPI – empower	Canara Bank
Cent UPI	Central Bank of India
Dena Bank E-UPI	Dena Bank
Chillr	HDFC Bank
HDFC Bank MobileBanking	HDFC Bank
Payzapp	HDFC Bank
HDFC Bank SmartHub App	HDFC Bank
Eazypay	ICICI
iMobile	ICICI Bank
Mera iMobile	ICICI Bank
Pockets	ICICI Pockets
Tez	ICICI, Axis, HDFC
PayWiz	IDBI Bank
BHIM JK Bank UPI	J&K Bank
KBL SMARTz (UPI)	Karnataka Bank
KayPay	Kotak Mahindra Bank
Kotak – 811 & Mobile Banking	Kotak Mahindra Bank
OBCUPI PSP	OBC Bank
PSB UPI App	PSB
PNB UPI	Punjab National Bank
SBI Pay	SBI
Synd UPI	Syndicate Bank
Uco UPI	UCO Bank
Union Bank UPI App	Union Bank
United UPI	United Bank
Vijaya UPI	Vijaya Bank
TruPay	Yes Bank
UPI Bank Transfer with Friends	Yes Bank

APSSDC UPI	Yes Bank
Finmo	Yes Bank
BharatPOS (Unreleased)	Yes Bank
Ultracash	Yes Bank
Jugoo	Yes Bank
CU – UPI Payment & Chat App	Yes Bank
Jugnoo Pay	Yes Bank
SplitKart	Yes Bank

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Railways

RPF Sub-Inspector | RPF Constable | ALP | Group D | ALP CBT2

SSC

CGL | CPO | CHSL | SSC JE Civil | SSC JE Electrical | IB Security Assistant | Stenographer | MTS | GD Constable | SE

State Exams

UP Police | BSSC Inter Level | RAS | Rajasthan Police Constable | UPPCS | Rajasthan LDC/UDC | Haryana Police | Rajasthan IA | UP GK | MP GK | Bihar GK | Rajasthan GK | HARYANA GK | UPSSSC VDO | UP TET

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