

Banking Awareness Capsule :

March - 2017

www.BankExamsToday.Com

3/27/2017

BankExamsTodayEditorial



Table of Contents

Multilateral Investment Guarantee Agency: Role in Healthy Investment Environment	2
List of Currency Terms With Explanation	3
National Financial Switch: Gateway of ATM Switching	4
10 Important Banking Terms To Remember	5
Regional Rural Banks in India - Their Sponsors and Head Office.....	6
HDFC BANK (Housing Development Finance Corporation)	7
Aadhaar App - A New Era In Digital Payments.....	8
List of Insurance companies in India: Tagline, Founder and Heads.....	10
Banking And Financial Awareness.....	13
Exim Bank : All You Need to Know.....	14
Functions of Exim Bank:.....	15
Board of members:.....	15
Types of Export Finance.....	15
SBI's Minimum Balance Penalty: All You Need to Know.....	17
Punjab National Bank: Learn Key Points Using Mind Map.....	19
Federal Bank : Remember Key Points	21
Pros and Cons of SBI's Minimum Balance Penalty.....	22
Indian Bank : Remember key points using Mind Map	23
Types of Foreign Accounts in India.....	24
Twin Balance Sheet Problem in India: A Halt in the Progress	25
Public Private Partnership: All You Need To Know.....	27
State Bank Of India: Learn Key Points Using Mind Map.....	28
List of Important Abbreviations For SBI PO.....	30
Role of Immediate Payment Services in Banking.....	31
Difference Between Various NRI Accounts in India.....	32
Allahabad Bank: Remember Key Points.....	35
Pros and Cons of RBI's Proportional Reserve System	37
Banking Cash Transaction Tax (BCTT): Explained	38
ICICI Bank: Learn Key Points Using Mind Map.....	39
NPA and SARFAESI Act, 2002.....	41
Minimum Reserve System of RBI: Explained.....	42
International Financial Organizations: Headquarters & Functions	44

Multilateral Investment Guarantee Agency: Role in Healthy Investment Environment

Introduction:

- Multilateral Investment Guarantee Agency (MIGA) is an international financial institution associated with the World Bank Group.
- It came into being in the year of 1988 and is primarily a development finance institution.
- It has its headquarters in Washington D.C., United States and has around 181 nations as its members.
- The prime motivation of MIGA as an International Financial Institution is to encourage a confident investment environment via the act of insurance against unforeseen situations, especially in developing nations.



Functions:

- Offers insurance to cover different types of non-commercial risks such as
 - (i) Risks associated with currency inconvertibility.
 - (ii) Risks associated with government expropriation.
 - (iii) Risks associated with war.
 - (iv) Risks associated with terrorism.
 - (v) Risks associated with civil disturbances in the host country.
 - (vi) Risks associated with non-honoring of financial obligations between Investing and host entity
- Offers insurance coverage to investment vehicles such as

(i) Equity, loan, share holder loans and share holder guarantees.

(ii) Management contracts, asset securitization bonds, leasing activities, franchise agreements and license agreements.

- Small Investment Programme by MIGA aims to promote FDI specifically into small and medium enterprises, via offering exclusive insurance coverage scheme SME's.
- Offers political risk insurance to a wide range of investments effectively, especially in developing nations.
- Promotion of Foreign Direct Investment into developing countries to support economic growth, reduce poverty and improve standard of living.
- Creation of new Job opportunities, development of infrastructural facilities, generation of new tax revenues, as well as effective utilization of natural resources via adoption of Judicious programmes and policies.
- Insurance of Long term debt equity as well as other assets and contracts of long gestation period.

Role in Healthy Investment Environment

MIGA endeavors to promote a healthy investment environment in developing nations by insuring the Investment against various risks associated with the peculiarities of developing nations, which ranges from political risks to investment related insecurities. It is being owned by its 181 member

governments which includes both developing as well as developed nations. Membership in MIGA is available only to those countries who have membership with the World Bank especially International Bank for Reconstruction and Development (IBRD). It is being governed by the member countries, represented by the council of Governors, Board of Directors and an Executive Vice President who strategically coordinates the functioning of the organization.

Conclusion

MIGA which has the characteristics of a Development Finance Institution is a non-political

entity that plays out its role as a multi lateral financial entity, offering insurance services to potential investors as well as the investments which they undertake in developing nations. This infact ensures that Foreign Direct Investments do find destination in almost all developing nations irrespective of their internal as well as external environment and the investors do get the assurance, confidence as well as the expected potential benefits out of the same. This do well reflects the motives of the World Bank group which is to ensure the sustained development of the nations around the world.

List of Currency Terms With Explanation

Legal tender:

As per provisions of coinage Act 1996, bank notes, currency notes and coins (Re. 1 and above) are legal tender for unlimited amount. The subsidiary coins (below Re. 1) are legal tenders for sum not exceeding Re 1. Issue of 1, 2 and 3 paisa coins discontinued wef Sep 16, 1981.

Currency chest:

Currency chests are operated by the Reserve Bank of India (RBI) so that they can provide good quality currency notes to the public. However, RBI has appointed commercial banks to open and monitor currency chests on behalf of RBI. The money kept in currency chests in the commercial banks is considered to be kept in RBI.

Small coin depot:

The bank branches are also authorized to establish Small Coin Depots to stock small coins. The Small Coin Depots also distribute small coins to other bank branches in their area of operation.

Soiled note:

"Soiled note" means a note which, has become dirty due to usage and also includes a two piece note pasted together wherein both the pieces presented belong to the same note and form the entire note.

Mutilated Note:

Mutilated banknote is a banknote, of which a portion is missing or which is composed of more than two pieces.

Imperfect Note:

Imperfect banknote means any banknote, which is wholly or partially, obliterated, shrunk, washed, altered or indecipherable but does not include a mutilated banknote.

Soiled and Mutilated banknotes can be exchanged for value. All banks are authorized to accept soiled banknotes for full value. They are expected to extend the facility of exchange of soiled notes even to non-customers. All currency

chest branches of commercial banks are authorized to adjudicate mutilated banknotes and pay value for these, in terms of the Reserve Bank of India (Note Refund) Rules, 2009

A mutilated banknote can be exchanged for full value if:

- For denominations of Re. 1, Rs. 2, Rs. 5, Rs. 10 and Rs. 20, the area of the single largest undivided piece of the note presented is

more than 50 percent of the area of respective denomination, rounded off to the next complete square centimeter.

- For denominations of Rs. 50, Rs.100, Rs. 500 and Rs. 1000, the area of the single largest undivided piece of the note presented is more than 65 percent of the area of respective denomination, rounded off to the next complete square centimeter.

National Financial Switch: Gateway of ATM Switching

What is NFS:

National Financial Switch is a network of shared ATM's. It was developed by Institute for Development and Research in Banking Technology (IDRBT), Hyderabad in 2004. It is run by the National Payment Corporation of India (NPCI) currently.

Objective:

- It aims to interconnect all the ATM's in the country and facilitate easy banking to the users. NFS connects the ATM of member banks under a single network. The user or the customer need not avail the use of his core/ home bank for transactions. Since all the ATM of the member banks are connected, the customer can use any ATM other than that of his specified bank.
- The banks without ATM network but which can provide core banking facilities with 24x7 services can join the NFS through a sponsor bank. The objective behind such a move is to enable the non-scheduled cooperative banks and other regional rural banks (RRB) to access the wide network of ATMs in the country, enabling the customers of such bank to access banking services through any ATM of a connected bank.

NOTE:

- Before 14 August 2011, NFS was limited to scheduled banks with RTGS membership.
- The first bank to open ATM service in India was the Hongkong and Shanghai Banking Corporation (HSBC) in 1987 in Mumbai.

Background:

- The national financial switch started with connecting the automated teller machine (ATM) of three banks, which are ICICI Bank, corporation Bank and Bank of Baroda. Later IDBRT worked to bring all the banks under common network thereby connecting 37 banks by 2009.
- Though NFS was developed and maintained by IDBRT, it was later shifted to National Payments Corporation of India (NPCI) in the year 2009.

Services offered in NFS:

NFS offers various basic transactions through its member banks, such as:

- Balance Enquiry / Balance available with the account holder
- Cash Withdrawal
- Change of ATM PIN

➤ Mini Statement of the transactions made

NFS also introduced value-added services, such as:

- Request for Cheque book
- Request for Transactions Statement.
- Instant fund transfer
- Security
- Card to card fund transfer, in which transactions can be done using an ATM or debit card. The card holder has to enter the ATM/ Debit card number of the person whom the fund is to be transferred. Both the banks of the depositor and remitter should be a member of NFS.

HEADQUARTERS: Mumbai

There were other interconnected ATM networks in

the past. Some of which were:

- **Swadhan**- the first network of shared ATM's in India which was managed by India Switch Company (ISC) for a five-year period. It was set up by Indian Banks Association (IBA) in 1997. It allowed its member banks cardholders to withdraw cash from any ATM in the network for free of cost. The customers of the non-member banks were charged for any transaction made.
- **Cash Tree**- formed with interconnecting ATM network of Union Bank of India, Indian Bank, Bank of India, United Bank of India and syndicate Bank.
- **Cashnet**- A similar network formed by Citibank, the Industrial Development Bank of India, Standard Chartered Bank and Axis Bank
- **Punjab National Bank** and Canara Bank also created such networks.



10 Important Banking Terms To Remember

1) The Balance of Trade:

The difference of the country's exports and the value of its imports are known as the Balance of Trade. It normally incorporates trade in services unless mentioned as the balance of merchandise trade. It includes earnings (interest, dividends, etc.) on financial assets.

2) A Balance of Payments (BOP):

A list that states a country's transactions with other countries for a certain time period (generally 1 year). Payments into the country (receipts) are entered as positive numbers, called credits. Payments out of the country (payments) are entered as negative numbers called debts. A single number summarises the country's

international transactions: the balance of payments surplus.

3) NOSTRO Account:

A NOSTRO account is one which is maintained by an Indian Bank in the foreign countries.

4) VOSTRO Account:

A VOSTRO account is one which is maintained in India by a foreign bank with their corresponding bank.

5) BCBS:

Basel Committee on Banking Supervision body is formed by the governors of the Central Bank of the ten nations group.

6) LIBOR:

The full form of LIBOR is London Interbank Offered Rate. It is the interest rate at which funds are borrowed by banks in marketable size, from other banks in the London interbank market.

7) MIBOR:

The full form of MIBOR is Mumbai Interbank Offered Rate. It is the interest rate at which funds are borrowed by banks in marketable size, from other banks in the Mumbai interbank market.

8) CASA:

CASA stands for Current Account Savings Account. The CASA ratio displays the value of deposits maintained in a bank in the form of current and saving account deposits in the total deposit. A higher CASA ratio means the better operating efficiency of the bank because on current account there is no interest payable and on the other hand 4% interest is payable by the

bank in a savings account. CASA ratio shows how much of the deposit of the bank comes from the current and savings deposit. The CORE word in CBS stands for Centralized Online Real-time Exchange.

9) RAFA:

RAFA stands for Recurring Deposit Account Fixed Deposit Account. The RAFA ratio shows how much deposit a bank has in the form of Recurring and fixed deposits.

10) Demat Account:

The full form of Demat Account is Dematerialized account. This is a type of bank account for citizens in India so that they can trade in stocks or debentures which are listed in the stock market. Just as a savings account contains money saved, a demat account has stocks saved.



Regional Rural Banks in India - Their Sponsors and Head Office

Name of Regional Rural Bank	Sponsor Bank	Head Office
Paschim Banga Gramin Bank	UCO bank	Howrah, West Bengal
Vidharbha Konkan Gramin Bank	Bank of India	Nagpur, Maharashtra
Vananchal Gramin Bank	State Bank of India	Dumka, Jharkhand
Utkal Grameen Bank	State Bank of India	Bolagir, Odisha
Sutlej Gramin Bank	Punjab and Sind Bank	Bathinda, Punjab
Pandyan Grama Bank	Indian Overseas Bank	Virudhunagar, Tamil Nadu
Pragathi Krishna Gramin Bank	Canara Bank	Ballari, Karnataka
Prathama Bank	Syndicate Bank	Moradabad, Uttar Pradesh

Purvanchal Bank	State Bank of India	Gorakpur, Uttar Pradesh
Saptagiri Grameena Bank	Indian Bank	Chittoor, Andhra Pradesh
Chaitanya Godavari Grameena Bank	Andhra Bank	Guntur, Andhra Pradesh
Ellaquai Dehati Bank	State Bank of India	Sri Nagar, Jammu and Kashmir
Gramin Bank Of Aryavrat	Bank of India	Lucknow, Uttar Pradesh
Kashi Gomti Samyut Gramin Bank	Union Bank of India	Varanasi, Uttar Pradesh
Langpi Dehangi Rural Bank	State Bank of India	Diphu, Assam
Kaveri Grameena Bank	State Bank of Mysuru	Mysuru, Karnataka
Malwa Gramin Bank	State Bank of Patiala	Sangrur, Punjab
Narmada Jhabua Grameen Bank	Bank of India	Indore, Madhya Pradesh
Pallavan Grama Bank	Indian Bank	Salem, Tamil Nadu
Bangiya Gramin Vikash Bank	United Bank of India	Baharampur, West Bengal

HDFC BANK (Housing Development Finance Corporation)

Introduction:

- HDFC (Housing Development Finance Corporation) Bank is an Indian banking and financial services company.
- It is India's second-largest private sector lender by assets.
- It is the largest bank in India by market capitalization as of February 2016.

History:

- In 1994 HDFC Bank was incorporated, with its registered office in Mumbai, India.
- Its first corporate office and a full-service branch at Sandoz House, Worli, Mumbai was

inaugurated by the then Union Finance Minister, Manmohan Singh.

- As of December 31, 2016, the Bank's distribution network was at 4,555 branches and 12,087 ATMs across 2,597 cities.
- **Tagline** :We Understand Your World
- **Headquarter** : Mumbai, Maharashtra.
- **MD & CEO** : Mr.Aditya Puri
- **Founded on** : August, 1994.

Abroad Offices:

- Bahrain
- Hong Kong
- Dubai

Awards Received (2016):

- Best Banking Performer Award, India in 2016 by Global Brands Magazine.
- Bank of the year & best digital banking initiative award 2016 by KPMG study of India's Best Bank
- Business leader of the year for Aditya puri by AIMA Managing India
- Best Performing Branch in Microfinance among Private sector bank, 2016 by NABARD
- It was ranked 69th in 2016 BrandZ Top 100 Most Valuable Global Brands.

Mergers:

- Times Bank in February 2000.
- Centurion Bank in 2008.

Digital offerings provided by HDFC:

- Chillr
- PayZapp
- SME Bank
- Watch Banking
- 30-Minute Auto Loan

- 15-minute Two-Wheeler Loan
- 10 second personal loan
- e-payment gateways
- Digital Wallet

Project AI:

- The latest project of HDFC bank is "**Project AI**", under which it would deploy robots at selected bank branches.
- These robots will offer options such as cash withdrawal or deposit, forex, fixed deposits and demat services displaying on the screen to persons coming into the branch.

CSR Activities:

- **Sustainable Livelihood -**
Provide empowerment to the rural section of the country, especially women
- **Financial Literacy -**
Financial literacy in 600 schools across Andhra Pradesh and Odisha.

Aadhaar App - A New Era In Digital Payments

Demonetisation of high domination currency notes in Nov 2016, has paved the way in shaping Indian economy as a Cashless Economy. To ease the transactions, many efforts have been taken. A serious attempt could be Aadhaar payment app. Since 109 crore out of 120 crore are registered with Aadhaar.

Aadhaar Payment App is an initiative by the government for making cashless transactions through your multiple bank accounts. The universal app offers you to ease out your

payments through any bank account without using the internet facility.

INTRODUCTION :

"This app can be used by a person to make payments without any phone. Almost 40 crore Aadhaar numbers already stand linked to bank accounts – that is half the adults in India. The aim is to link all Aadhaar numbers with bank accounts by March, 2017".

Ajay Bhushan Pandey, CEO, Unique Identification Authority of India (UIDAI)

The app has been developed by IDFC Bank along with UIDAI and National Payments Corporation of India. Finance Minister Mr. Arun Jaitley and information and Technology Minister Mr. Ravi Shankar Prasad were shown the technology on 19 December.

Objective:

The main objective of Aadhaar payment app is to increase the use of digital transactions among merchants in the country. The smartphone app will be easy to use and there will be no charges for transactions as being charged by private card companies such as "Visa" and "MasterCard". Now there is no need to download and make payments through various digital apps. Aadhaar Payment App is an initiative by the government for making cashless transactions through your multiple bank accounts. The universal app offers you to ease out your payments through any bank account without using the internet facility. The unique 12-digit number, which carries your identity, is needed to do payments at the various merchant who is accepting payments through the Aadhaar card.

What is Aadhaar Payment Merchant's App?

It is an application used by the merchants to take payments online from customer's bank account to their own account using 12-digit unique Aadhaar number of the clients where clients can choose any of their bank accounts to do the transactions. Each transaction will be authenticated by the fingerprint of the customer. Transactions can be made through **Aadhaar-linked bank accounts** (AEBA) only. Also Aadhaar App uses biometric reader (available for Rs 2,000 currently) attached to a smartphone. Money would be paid

instantly from Aadhaar linked account after biometric verification.

How to Download Aadhaar Payment App?

Aadhaar Payment app "**Aadhaar Pay**" for merchants can be downloaded from the Google Play store on android smartphone. The link to download the Aadhaar Payment app would be available once the app is officially launched.

Alternatively, the app can also be searched directly in the play store app in android smartphone and downloaded instantly from there.

What is the Security Concern?

It is a highly secure app which will use two main platforms –

1. **Aadhaar Payment Bridge (APB).**
2. **Aadhaar Enabled Payment System (AEPS).**

APB will act as repository between the banks and the customers to provide a smooth flow of transactions, while AEPS will help in authenticating the online process.

What are its Benefits for a Customer?

- No requirement of a debit card or credit card for payments
- No need of **POS machine** to swipe the card.
- No requirement of the internet connection to any app to register.
- No requirement of multiple apps like digital wallets to make any payment.
- Highly secured, as fingerprint is used as validation for payments.

How can you use it?

Android users can download the app from play store while iPhone users can download it from **iTunes**. Merchants can login from their Aadhaar number using the fingerprint scanner. Once the app is validated, merchants can use it to

take payments.

Options like account summary, payments, etc. are available in the app where the merchant needs to click on the pay option and enter the Aadhaar number of the customer. As soon as the Aadhaar number is entered, it will show you the numbers of banks through which want to do payments. Make sure that before using the Aadhaar number you need to register your Aadhaar number with all your bank accounts. **Validation of payment** will again require the **customer's fingerprint** to authenticate the transaction process.

Conclusion :

Over time, this would reduce the need for banking correspondents as more and more merchants use Aadhaar App on their phones for transactions. The App itself has been tested by a couple of banks and is being finalised.

In contrast, at the moment, they earn from other digital transactions. UIDAI was convincing banks that the commission must be seen in the light of existing commission structures for correspondents and the cost of transactions.

List of Insurance companies in India: Tagline, Founder and Heads

MUMBAI BASED COMPANIES:

CODE WORD: "Birla had accounts in ICICI and HDFC for his future needs. With that money he bought new LG TV, Videocon dish, Kotak Camera, Tata Indica car and Reliance Jio."

Name of the Company	Tagline	Founders	Heads of the Company
Life Insurance Corporation Limited	Yogaksheman Vahamyaham	Government of India (Public sector)	V.K. Sharma
New Indian Assurance Corporation Limited	India's Premier General Insurance Company	Public Sector	G. Srinivasan
General Insurance Company	Aapatkale Rakshisyami	Public Sector	Alice Vaidyan
Kotak Mahindra Old Mutual Life Insurance Limited	Faideyka Insurance	Private sector	G. Muralidhar

Banking Awareness Capsule : March - 2017

Future Generali Life Insurance	Ekshaagun Zindagi ke naam	Joint venture	K. G. Krishnamoorthy Rao
Tata AIA Life Insurance Company Limited	You click we cover	Private (Tata son's and American International Group)	Naveen Tahilyani
ICICI Prudential Life Insurance Company Limited	Zimmedarika Humsafar	Joint Venture	N. S. Kannan
HDFC Standard Life Insurance Company Limited	Sarutha ke Jiyo	Private (Hasmukhbai Parekh)	Amitabh Chaudry
Birla Sun Life Insurance Company Limited	Tour Dreams our commitment	Private (Aditya Vikram Birla)	Pankaj Razdan
Reliance General Insurance Company		Public listed company	Sam Ghosh
Liberty Videocon General Insurance			Roopam Asthana
ICICI Lombard General Insurance Company Limited	Quick easy Smart	Public Listed Company ICICI and Fair Fax	Bargava Dasgupta

NEW DELHI BASED COMPANIES :

CODE WORD: 'SBI gives MAXimum ORIENTATION in New Delhi'.

Name of The Company	Tagline	Founder	Heads of The Company
Max Life Insurance Company Limited	Aapke Sachhee Advisor	Analjit Singh	Rajesh Sud

Banking Awareness Capsule : March - 2017

Max New Life Insurance Company Limited	Karo Zyada kalraada	Analjit Singh	Rajesh Sud
Max Bupa Health Insurance	Your Health first	Analjit Singh	Rajesh Sud
SBI Life Insurance Company Limited	With us, you are sure	SBI and BNP Paribas	Arjit Basu
Oriental Insurance Company Limited	Prithivi, Agni, Jal, Akash, Sabhi Suraksha Hamare Pass.	Government of India	A.K. Saxena

GURGAON BASED COMPANIES:

CODE WORD: 'I am in Gurgaon and my PAApa is in Tokio.'

Nname of The Company	Tagline	Founders	Heads of The Company
IFFCO Tokio General Insurance	Muskurate Raho	Indian Farmer Fertiliser Co-operative	Yokesh Lokiya
Apollo Munich Health Insurance	We know healthcare	Prathap C. Reddy	Antony Jacob
Aviva Indian Life Insurance	Kal Par Control		Trevor Bull
PNB Metlife India Insurance Company Limited	Have you met Life today?		Tarun Singh

CHENNAI BASED COMPANIES:

CODE WORD: "U can see ITC grand CHOLA hotel in Chennai".

Name of The Company	Tagline	Founders	Heads of The Company
United India Insurance Company Limited	Rest Assured with us	Government of India	Ariful Hoda

Banking Awareness Capsule : March - 2017

Cholamandalam MS General Insurance		Public Listed Company	Gopalaratnam
------------------------------------	--	-----------------------	--------------

OTHERS:

CODE WORD: BaN

Name of The Company	Tagline	Founders	Heads of The Company
National Insurance Company Limited	Trusted Since 1906, Thoda simple Socho	Government of India	Girija Kumar
Bajaj Alliance Life Insurance Company Limited	Jiyo Befiqar	Joint Venture Bajaj groups and Alliaz SE, a European group	Anuj Aggarwal

Banking And Financial Awareness

INTERNATIONAL:

- The amount of financing Agreement has been signed between India and World Bank for the project TEJASWINI was USD 63 million. Tejaswini is a socio-economic

empowerment of Adolescent girls and young women.

- International Monetary Fund has reached an agreement with Ukraine to provide fresh disbursement of USD 1 Billion in the first half of the march 2017.

TIE-UPS:

- Reliance General Insurance and Catholic Syrian Bank tied up for bancassurance project.
- HDFC Bank and ET Money jointly launches DATA LED group term Insurance plan

GOVERNMENT OF INDIA:

- The amount of INR 756 crores was allotted for the treatment of cataract patients over next five years by the Union Health Minister J.P. Nadda.
- Kerala had made maximum registration under GST.
- GST council has agreed to provide a composition scheme for small business. Now the small business with turnover up to Rs. 50 lakh will have to pay a tax of 5 percent.
- Estimation of rupees 2,285 crores have been allotted for Shahpur Kandi Dam project (joint project of Punjab and Haryana.)

HIGHLIGHTS OF MADHYA PRADESH BUDGET:

- Estimation of Madhya Pradesh Budget for the year 2017-2018 was 1,85,564.27 crores.
- For Dheendhay Rasoi yojna, Madhya Pradesh Government has allotted 10 crores.

- The government of India has directed all the banks to make available the mobile banking facility for all the customers by March 31, 2017.

BANKING AWARENESS:

- Minimum charge of Rs. 150 per transaction will be charged by Axis Bank, ICICI bank and HDFC bank after 4 free transactions.
- State Bank of India have revised various service charges on transaction and deposits

as well as maintaining monthly average balance. It is applicable from April 1, 2017.

- Cash deposit can be made only 3 times per month and beyond that an amount of RS. 50 will charged for per transaction.
- ATM transaction beyond free transaction will be charged RS. 20 per transaction.
- RBI tells that the bank refuse to exchange soiled or multilateral notes from people will have to pay a penalty of rupees 10,000.

Exim Bank : All You Need to Know

With the increase in trade opportunities in the global market and to enhance the country's domestic competitiveness, a specialised institution for foreign trade was required. Exim bank was set up for this purpose. Export-Import Bank or Exim bank of India is the export finance institution of the country. It was established in the year 1982 under the Export-Import Bank of India Act 1981. It provides financial assistance to exporters and importers. It coordinates the institutions which provide finance to export and import of goods. The sole aim is to enhance exports from India as well as to promote country's international trade and investment.

HOW DOES EXIM BANK PROVIDE ASSISTANCE

- It offers finance at all stages of the business cycle, starting from importing technology, product development, marketing, pre-shipment and post-shipment to overseas.
- Technology and Innovation Enhancement and Infrastructure Development (TIEID) – To meet the long-term foreign currency needs of Indian exporters from MSME sector, Exim

bank has tied up with financial institutions under TIEID.

- Grassroots Initiatives & Development (GRID) program – to provide assistance to enterprises from rural areas of the country, Exim bank supports through GRID program. From this program, assistance is extended to small enterprises, NGO's, artisans across the country helping and encouraging them to export.
- The credit facility is extended to overseas sovereign governments and government-owned entities for import of goods and services from India.
- Exim Bank provides assistance to Indian companies in locating overseas distributors /partners /buyers/ for their products/services.
- The Exim Bank introduced a program called the **Export Marketing Fund (EMF)**, in June 1986, under which finance is made available to Indian companies for undertaking export marketing activities. The program also covers activities like desk research, minor

product adaptation, overseas operations and travel to India by buyers overseas.

Functions of Exim Bank:

1. Corporate banking group:

Corporate banking group handles various financing programs for exporters, importers and overseas investment by Indian companies.

2. Project finance/trade finance :

Project finance group deals with the services related to export credit such as pre-shipment credit, suppliers credit. The projects related to the financing of export transactions of the agricultural sector are also handled by this group.

3. Export services group:

Export services group provides services such as value added information for promoting investments and advisory services.

4. Export marketing group:

Export marketing group provides loans/assistance for exporters (example Indian company) to perform export operations to overseas markets.

5. Support services group:

Support services group render services which include areas of planning, research, corporate finance, loan recovery, etc.

6. Small and medium enterprises:

Various lending/ financial assistant programs are formed to handle credit proposals from small and medium enterprises (SME).

Board of members:

The Exim bank constitutes of the board of directors with managing director and chairman. Currently, they are 13 members body. The board of member consists of:

- Representatives of government of India
- Reserve bank of India
- IDBI – Industrial Development Bank of India
- ECGC - Export Credit Guarantee Corporation of India
- Representatives of commercial banks
- Representatives of exports
- Chairman and managing director

Headquarter is located at Mumbai, Maharashtra. EXIM MITRA – created by EXIM bank to promote digital India, a one step solution for all export and import needs. It is an online platform to delivery trade related information and provides access to insurance for exporters and importers.

Types of Export Finance

Huge quantities of goods are sold in the form of exports in the International Market. These exports require a certain amount of financial assistance

for the execution of the order. The finance depends upon the types of goods to be executed and also based on the overseas buyers. The amount can vary based on the requirement from short term to long term finance. This financial assistance provided by financial institutions for the export purpose is called EXPORT FINANCE.

Financial institutions which offer export finance:

1. EXIM Bank
2. ECGC- Export Credit Guarantee Corporation of India
3. Development banks such as IDBI, ICICI,
4. National Small Industries Corporation
5. Commercial banks
6. State Finance Corporations

Reserve Bank of India- though it doesn't provide export finance directly, it adopts policies to provide them. The departments under RBI which deals with export finance are

1. Industrial and credit department
2. Exchange control department



TYPES OF EXPORT FINANCE:

Different types of export finance are as follows:

1. Pre- shipment finance (180-270 days)
2. Post shipment finance (180 days)
3. Export finance against the collection of bills.
4. Deferred export finance
5. Export finance against allowances and subsidies

1. Pre-shipment finance:

- Pre-shipment finance is provided when the exporter or seller wants the payment even before the shipment of the products or goods.
- Finance is provided for the purchase of raw materials/goods, processing them into

finished products, storage cost, packing and marking of goods prior to shipment.

- This type of finance is approved when a firm order is placed by the importer
- Also known as packing credit.
- Pre-shipment finance is granted for a period of 180 days as it is a working capital
- In the case of unforeseen circumstances, it can be extended to 90 days. The maximum period allowable is 270 days.

2. Post shipment finance:

- After dispatching the goods to the importer, the exporter has to make a bill, which is to be paid by the importer. It takes about 3 to 6 months before the amount is received by the exporter. This time gap affects the production of the exporter. For this purpose, the exporter will present the bill to the financial institution which provides finance for exports. The bank can purchase the bill or collect the bill or even discount the bill.
- Post shipment finance is used to pay the wages or other services.
- To pay for cargo/shipping charges
- To pay for advertising in overseas market for promotion
- The rate of interest on post-shipment finance varies from minimum 90 days and can be extended based on individual financial institution.

3. Export finance against the collection of bills:

The finance or loan can be obtained by the exporter based on the bills of the purchase made by the importer or overseas company. In the case of any default, the finance company will compensate about 80% of the default amount. It is considered as post shipment finance.

4. Deferred export finance:

- Finance is also available for the importers / oversea buyers to facilitate import of goods. There are two types:
 - Suppliers finance – finance is provided to the exporter (example India) by exporter's bank (Indian bank) to sell the goods on the installment basis.
 - Buyers finance – finance is provided to an overseas buyer by the exporter's company. This enables the overseas buyer to pay for

equipment or machinery purchased from the exporter company (example Indian company).

5. Export finance against allowances and subsidies:

In circumstances when there is unexpected rise in expenditure due to national and international changes, the government provides allowances or subsidies for export of goods at the reduced price to the importer.

SBI's Minimum Balance Penalty: All You Need to Know

Introduction

After a gap of five years, State Bank of India has decided to reintroduce penalty on non-maintenance of minimum balance in accounts from April 1, and revised charges on other services, including ATMs. The State Bank of India has announced that it will impose penalties on non-maintenance of minimum balance in accounts from April 1. It also announced a revision of charges on services like ATMs. A number of changes in banking regulations have taken place since the November 8 announcement of demonetization and currency recall. But in recent weeks the steps introduced by some major banks have betrayed one of the key purposes of demonetization large-scale adoption and sustained use of banking services to move India's cash driven economy to a digital economy. One of the achievements of currency recall was that a huge amount of money came back into the banking system which gave it a much-needed boost. The need was easier banking regulations as an incentive for people to keep their money in

banks. Penalties were definitely not the easy way to go. sustained use of banking services to move India's cash driven economy to a digital economy. One of the achievements of currency recall was that a huge amount of money came back into the banking system which gave it a much-needed boost. The need was easier banking regulations as an incentive for people to keep their money in banks. Penalties were definitely not the easy way to go.

MONTHLY AVERAGE BALANCE IN DIFFERENT AREAS

According to information available on the SBI website, the monthly average balance that customers will have to maintain in their savings bank accounts in SBI branches are as follows.

Metropolitan Areas:

Monthly Average Balance (MAB) is Rs.5000

- In case the monthly shortfall is below 50% of MAB then a charge of Rs.50 + service tax will be levied.
- In case the monthly shortfall is between 50 and 75%, then the account holder will have to pay Rs.75 plus service tax will be levied.
- In case the monthly shortfall is more than 75 percent, then a charge of Rs.100 + service tax will be levied.

Urban Areas:

Monthly Average Balance (MAB) is Rs.3000

- In case the monthly shortfall is below 50% of MAB then a charge of Rs.40 + service tax will be levied.
- In case the monthly shortfall is between 50 and 75%, then the account holder will have to pay Rs.60 + service tax will be levied.
- In case the monthly shortfall is more than 75 percent, then a charge of Rs.80 + service tax will be levied.

Semi-Urban Areas:

Monthly Average Balance (MAB) is Rs.2000

- In case the monthly shortfall is below 50% of MAB then a charge of Rs.25 + service tax will be levied.
- In case the monthly shortfall is between 50 and 75%, then the account holder will have to pay Rs.50 + service tax will be levied.
- In case the monthly shortfall is more than 75 percent, then a charge of Rs.75 + service tax will be levied.

Rural Areas:

Monthly Average Balance (MAB) is Rs.1000

- In case the monthly shortfall is below 50% of MAB then a charge of Rs.40 + service tax will be levied.
- In case the monthly shortfall is between 50 and 75%, then the account holder will have to pay Rs.60 + service tax will be levied.
- In case the monthly shortfall is more than 75 the, then a charge of Rs.80 + service tax will be levied.

OTHER TRANSACTION CHARGES

Cash Deposit

- Savings Banks Account holders can deposit cash 3 times a month free of charge. Beyond that Rs.50 + service tax would be levied on every transaction beyond that.
- In the case of the current account, the levy could go to Rs.20000

Cash Withdrawal

- If the number of cash withdrawal from other bank ATMs in a month is more than 3 times then a charge of Rs.20 would be levied per transaction.
- If the withdrawal is more than 5 times from SBI ATM in a month then Rs.10 would be levied per transaction.
- SBI will not levy any charge on withdrawals from its own ATMs if the balance exceeds Rs.25000
- In the case of other banks ATM, no charge would be levied by SBI if the balance exceeds Rs.1 lakh.
- Rs.15 would be charged for SMS alerts per quarter from debit card holder who maintains an average quarterly balance of Rs.25000 during the three-month period.
- Besides annual maintenance fee of Rs.125-300 would be levied for debit cards depending on the card's category.

Conclusion

Some private banks like HDFC Bank, ICICI Bank and Axis Bank have started charging a minimum amount of Rs.150 per transaction for cash deposits and withdrawals beyond four free transactions in a month. Government have asked SBI to reconsider its decision to impose a penalty

on non- maintenance of minimum balance in accounts from 1st April onwards. The government has urged SBI and other lenders including private sector banks to reconsider the charges on cash transactions and ATM withdrawals above a certain limit. These are the major information about SBI to charge penalty for breach of minimum balance from April 1.

Punjab National Bank: Learn Key Points Using Mind Map

Introduction:

Punjab National Bank is India's first Swadeshi Bank, commenced its operations on April 12, 1895 from Lahore, with an authorised capital of Rs 2 lac and working capital of Rs 20,000.

It has become stronger and stronger with a network of 6888 Domestic branches and 9997 ATMs as on 31st December 2016.

The main objective of the bank is to provide the country with a truly national bank which would further improve the economic status of the country.

History:

Lala Lajpat Rai, Founder of PNB, had cherished the idea that Indians should have a national bank of their own. He felt that the Indian capital was being used to run English banks and companies, the profits went entirely to the Britishers while Indians had to contend themselves with a small interest on their own capital.

Important Historical Facts

- Important Historical Facts
- PNB was born on May 19, 1894

- The Bank opened for business on 12 April, 1895.
- The first Board Consist of 7 Directors.
- Sh. Dayal Singh Majithia was the first Chairman,
- Lala Harkishan Lal, the first secretary to the Board.
- Shri Bulaki Ram Shastri Barrister at Lahore, was appointed as the first Manager.
- Lala Lajpat Rai was the first to open an account with the bank.
- The first branch outside Lahore was opened in Rawalpindi in 1900.
- The Bank made slow, but steady progress in the first decade of its existence.
- PNB became a symbol of Trust and a name you can bank upon

Tagline: The name you can bank upon

Headquarter: New Delhi.

Founded on: 19 May 1894, Lahore, Pakistan

Founder: Lala Lajpat Rai

MD & CEO: Usha Ananthasubramanian

Brand Ambassador: Mr. Virat Kohli

Traded As: BSE: 532461, NSE: PNB CNX Nifty

Awards Received:

Banking Awareness Capsule : March - 2017

- Skoch order of Merit Award
- Runner up in education Loan Provider of the year 2016 by OutlookMoney.
- India's Most Trusted Brand as per "The Brand Trust Report 2016".

Subsidiaries:

- PNB Gilts Ltd. (India)
- PNB Investment Services Ltd. (India)
- PNB Insurance Broking Pvt. Ltd. (India)
- Punjab National Bank Ltd. (UK)
- Druk PNB Bank Ltd (Bhutan)

Joint Ventures

- Principal PNB Asset Management Company Pvt. Ltd (India)
- Principal Trustee Company Pvt. Ltd (India)
- PNB Metlife India Insurance Company Ltd (India)
- Everest Bank Ltd. (Nepal)
- JSC PNB Kazakhstan (Kazakhstan)

PNB sponsors the following regional rural banks (RRB)

- Punjab Gramin Bank, Kapurthala
- Madhya Bihar Gramin Bank, Patna
- Sarva Haryana Gramin Bank, Rohtak
- Himachal Gramin Bank, Mandi
- Sarva UP Gramin Bank, Meerut

Mergers:

- 7 Private sector banks have been merged with PNB during different periods in its history.
- New Bank of India is the one and only nationalized bank merged with PNB in the year 1993.

- Nedungadi Bank Ltd, a kerala based private bank merged with PNB in the year 2003.

Schemes and Yojanas launched recently:

- **PNB VIKAS- Village Adoption Scheme**
- **PNB Ladli- Provides education among rural girls**
- **Swachchh Vidyalaya Campaign- Constructing Toilets in the schools of adopted villages.**
- **PNB Kisan Balak Shikhsha Protsahan Yojana- to provide education loan to poor**
- **PNB MAHILA Udyam Nidhi Scheme**
- **PNB MAHILA Samridhi Yojana**
- **PNB Kalyani Card Scheme**
- **PNB Mahila Sashaktikaran Abhiyan**

Apps Launched:

- PNB Kitty
- PNB YUVA
- PNB mBanking
- PNB UPI
- PNB MobiEase
- PNB Rewardz
- PNB ATM Assist

Credit Card:

- PNB has Launched a Contactless Credit Card by name "PNB Wave N Pay"
- This contactless credit card has been launched on Visa Platinum Platform

Conclusion:

- PNB supports various societies, charitable institutions and NGO working for the benefit of poor people.

- Helps weaker sections of society, orphans, handicapped, mentally retarded children, etc.
- It also contributes for fighting diseases like TB, AIDS, leprosy, etc
- Since its inception, PNB has always been a "people's Bank" serving millions of people throughout the country.

Federal Bank : Remember Key Points

Introduction:

- The Federal Bank Limited is one of the major private sector commercial [bank in India](#).
- As on 31 March 2016, Federal Bank has 1252 branches spread across 24 states and 1516 ATMs across the country.
- Let us see in detail about this Bank.

History:

- The Bank was incorporated on 23 April 1931 as The Travancore Federal Bank Limited at Nedumpuram under the Travancore Companies Regulation Act, 1916.
- Oommen Varghese was the founder and chairman of the bank.
- Oommen Chacko was the manager of the bank.
- After the bank had functioned for nearly 10 years, the bank's day-to-day operations had to be stopped due to Oommen Chacko's ill-health.
- A lawyer, named K.P.Hormis, bought the bank and took over the management on 1945.
- In 1945 they moved the bank's registered office to Aluva and Hormis became the Managing Director.
- In 1949 December 2, the bank's name was changed from Travancore Federal Bank to the Federal Bank.

- In 1970, Federal Bank became a scheduled commercial bank
- In January 2008, Federal Bank opened its first overseas representative office in Abu Dhabi.

- **Tagline:** Your Perfect Banking Partner
- **Headquarter:** Aluva, Kochi, Kerala
- **MD & CEO:** Shyam Srinivasan
- **Founded on:** 1931 as Travancore Federal Bank

Mergers:

1. Chalakudy Public Bank in 1929
2. Cochin Union Bank in 1963
3. Alleppey Bank in 1964
4. St. George Union Bank in 1965
5. Marthandam Commercial Bank in 1968

Digital offerings provided by Federal Bank:

- FedBook in 2013
- Platinum and Gold 'N More Credit card in 2015
- Automated chat facility in 2015
- Launchpad in 2016
- Lotza App in 2016

Unique Features of LotZA App:

- LoTZA is a single App, which Links your Multiple Bank accounts for banking Requirements.
- It is an UPI (Unified Payment Interface) App approved by NPCI (National Payments Corporation of India Ltd.
- Transaction History can be viewed.
- MPIN of Mobile banking can be changed.
- Will get an OTP from the customer's Bank (Non-Federal bank customers) to complete IMPS transactions.
- Able to get account Balance of Registered account.
- Option to send money to any Bank Account using only Virtual Payment Address (VPA).

Awards Received Recently:

- The Best Performed Old Private Sector Bank in Kerala for the year 2015-16
- MasterCard Innovation Awards 2016
- ET Best Corporate Brand 2016 Award
- Prestigious 6th Annual Greentech HR Award for "Technology Excellence in HR".
- Skoch Smart Technology Award 2015 for FedBook Selfie
- IDRBT Award for Digital Banking

Pros and Cons of SBI's Minimum Balance Penalty

INTRODUCTION:-

I must admit, Indian Banks are very clever. Banks always find out the way around to protect their territory. Non-Maintenance of Minimum Balance is a major issue for the banks to handle. Banks incur the cost for keeping and servicing the Savings Account. Banks recover this cost by imposing minimum balance criterion i.e. an amount which should be reserved in the savings account on a regular basis to recover such cost. Charges imposed for Non-Maintenance of Minimum Balance generate substantial revenue for any bank. It is one of the most widely levied penalty by any bank.

regular basis to recover such cost. Charges imposed for Non-Maintenance of Minimum Balance generate substantial revenue for any bank. It is one of the most widely levied penalty by any bank.

SBI's New Rule:-

- Making it necessary for account-holders to keep a minimum balance, the State Bank of India (SBI) on Thursday said it will be charging nonpayers a penalty from 1st April onwards.
- Making maintenance of Rs. 5,000 compulsory for accounts in metropolitan areas, Rs. 3,000 in urban areas, Rs. 2,000 in semi-urban areas and Rs. 1,000 in rural areas, the SBI listed out the charges to be effective from April 1.
- The charges will be based on the difference between the minimum balance required and the shortfall. For city areas, if the shortfall is greater than 75 percent, then the charges would be Rs. 100 plus service tax. If the shortfall is between 50-75%, the bank would charge Rs. 75 plus service tax and for below 50% shortfall, a fee of Rs. 50 plus service tax would be levied. Likewise, for rural areas, the penalty for non-maintenance of minimum

balance ranges from Rs. 20-50 plus service tax.

How Minimum Balance Condition Can Cost You

Assume, if you get a new bank account with your new job. Your old bank account is left unobserved without minimum account balance as it used to be salary account. After some period, you may realize that your account is useless. The bank has converted your salary account to normal saving account. Now it is charging for non-maintenance of minimum account balance. If it has been one year (time passes swiftly) then you have to pay more. You can forget your unused account for more than a year.

Disadvantages :-

- The major disadvantage is that regardless of shortfall, charges levied are fixed. In short, the normal penalty fixed, even if the shortfall is Rs 1 or it is Rs 5000.
- Second drawback is that banks are allowed to make negative balance i.e. banks keep on levying the charges and customers bank balance becomes Negative. In most of the cases, account holders are unaware and when they deposit money, the money will be deducted automatically. To avoid the sudden deduction of money, RBI issued some guidelines.



- Penalty for Minimum Balance necessity will be in proportion to the shortfall in the Minimum Balance. Charges will be according to slab structure which will be fixed with wide criterion of fixed percent of the difference between the actual balance maintained in the account and the minimum balance required.
- It will be the duty of a bank to inform the customer through SMS/Email/Letter regarding charges when minimum balance requirement is broken.
- Banks will not be able to create the negative balance. Account will be declared inoperative. Bank may limit the services available to such accounts. For example, bank may limit no of branch transactions or restrict usage of debit card if the minimum balance is not kept.
- Customer will have 1 month grace period to restore the Minimum Balance in account from the date of receipt of notice from the bank.
- Penal Charges can be levied only after 1 month's grace period.
- Any Penal Charges levied in this regard will be informed to the customer.
- Charges cannot exceed the actual cost of providing the service and must be reasonable.

Summary of Guidelines on Non-Maintenance of Minimum Balance issued by RBI w.e.f 1st April-2015

Indian Bank : Remember key points using Mind Map

History:

- In the last quarter of 1906, Madras (now Chennai) was hit by the worst financial crisis.
- To resolve the problem, V. Krishnaswamy Iyer, founded the Indian bank.
- Indian Bank is an Indian state-owned financial services company established in 1907 as a private sector bank, with its head office in Parry's Building, Parry Corner, Madras, Tamil Nadu.
- It was nationalised in 1969 by the Government of India along with other 13 private banks under Banking Companies Ordinance, 1969.
- Since 1969 the Government of India has owned the bank.
- In 1981 Indian Bank set up its first RRB, Sri Venkateswara Gramina Bank, in Chittoor.

- **Tagline:** Taking Banking Technology to Common man
- **Headquarter:** Chennai, Tamil Nadu
- **MD & CEO:** Mahesh Kumar Jain
- **Founder:** V. Krishnaswamy Iyer
- **Founded on:** 15 August 1907

Subsidiaries:

- Ind bank Merchant Banking Services Ltd.
- Ind Bank Housing Ltd.

Mergers:

- Rayalaseema Bank
- Mannargudi Bank
- Bank of Alagapuri
- Salem Bank
- Trichy United Bank
- The Palakkurai Bank
- The Tennur Bank
- Bank of Thanjavur

Awards Received Recently:

- Indian Bank has won **Six SKOCH Technology Innovation Awards** for its Techno Products.
- **India's Best Bank Award** by Financial Express.

Techno Products provided by Indian Bank:

- Scan and Pay in Indpay Mobile App
- Geo-Tagging in IB Staff App
- Digital Challan in IB Customer App
- Online Credit Card Transaction view in IB Customer App
- ATM Room Cleanliness Feedback with photo from user in IB Customer App
- Green PIN for Credit / Debit Card / Net / Mobile Banking.

Types of Foreign Accounts in India

Non-Resident Ordinary Rupee Account (NRO Account):

- Tourists from abroad during their short visit to India are entitled to open a Non-Resident (Ordinary) Rupee (NRO) account with any

authorised Dealer bank dealing in foreign exchange.

- Such an account can be opened for a maximum period of six months. Tourists can easily make local payments through the NRO account.

- All payments to residents more than an amount of 50,000 can be made only through cheques or pay orders or demand drafts.
- NRO accounts may be opened or maintained in the form of current, savings, recurring or fixed deposit accounts.
- Interest rates offered by banks on NRO deposits cannot be higher than those offered by them on comparable domestic rupee deposits. Account should be denominated in Indian Rupees.
- Non resident Indians or any person of Indian origin may remit from the balances held in NRO account containing an amount which shall not exceed 1 million dollars every financial year, subject to payment of applicable taxes.
- The limit of 1 million dollars every financial year includes sale proceeds of immovable properties held by NRIs and PIOs.

Non-Resident (External) Rupee Account (NRE Account):

- NRE account may be in the form of savings, current, recurring or fixed deposit accounts. The account will be maintained in Indian Rupees.
- Accrued interest income and balances held in NRE accounts are exempt from Income tax.
- Authorized banks may allow for a period of equal to or less than 2 weeks the overdrawing in savings accounts NRE up to a limit of fifty thousand.
- Loans can be allowed till hundred lakh rupees against the security of funds held in

NRE Account either to the depositors or third parties.

Foreign Currency Non-Resident Account (FCNR Account):

- FCNR accounts mainly are of term deposits which range from one to five years. The account can be in any convertible currency.
- Loans can be allowed till hundred lakh rupees against the security of funds which are present in the FCNR deposit to the depositors or third parties.
- The interest rates are regulated by the DBOD (Department of Banking Operations and Development), RBI.

EEFC Account

- EEFC (Exchange Earners' Foreign Currency Account) is an account maintained in foreign currency with an Authorized Dealer which may be a bank dealing in foreign exchange.
- It is a facility provided to the foreign exchange earners, including exporters, to credit 100 % of their foreign exchange earnings to the account.
- Thus they would not have to convert foreign exchange into Rupees and vice versa which in turn will minimise the transaction costs.
- All categories of foreign exchange earners, such as individuals, companies, etc. who are resident in India, may open EEFC accounts.
- Such an account can be held only in the form of a current account on which interest is payable.

Twin Balance Sheet Problem in India: A Halt in the Progress

Understanding the Meaning of Twin Balance Sheet Problem

The recent Economic Survey of 2016-2017 highlights one of the serious challenges confronting the Indian Economy i.e. Twin Balance Sheet problem. It is a problem faced by the Public Sector Banks and the Corporate Sector. During the high growth years around 2009, many companies borrowed a huge amount of money from banks to invest in infrastructure and commodity related business like steel, power, infrastructure development, etc. But now Indian Economy is going through a less profit period in both these sectors. Due to this slump in infrastructure and commodity related business sector, the corporates are not able to repay their loans and their debts are increasing at an alarming level. And therefore, corporate sector have no other option other than to cut back investments. This creates a balance sheet problem in both public sector banks (PSBs) and corporate sector and, it has been seen as a serious obstacle to investment and growth desires of the country. In the commodity related business sector, the corporates are not able to repay their loans and their debts are increasing at an alarming level. And therefore, corporate sector have no other option other than to cut back investments.

Remedies for tackling the problem of Twin Balance Sheet

- Till June 2016, the total Gross Non-Performing Assets (NPAs) for public and private sector banks is around Rs. 6 lakh crore. And this figure is increasing day by day. But the Economic Survey 2016-2017 gives an effective solution for NPAs and called for a need to set up an Asset Reconstruction Company (ARCs) owned by

the Indian Government. This ARC will be known as Public Sector Asset Rehabilitation Agency (PARA, also dubbed as a Bad Bank), it can be seen as an attempt to resolve India's twin balance sheet problem.

- There are some other solutions acknowledged by the RBI for twin balance sheet problem, such as Strategic Debt Restructuring (SDR), Asset Quality Review (AQR), Sustainable Structuring of Stressed Assets (S4A) which can heal PSBs from their bad loans. Also, RBI has set March 2017 as the deadline for Indian Banks to clean up their balance sheets.
- Last year, Union Budget also allocated Rs 25000 crore towards recapitalisation of Public Sector Banks. This was a necessary step to infuse capital into the Public Sector Banks.

Key Terms

Asset Reconstruction Company (ARCs):

An asset reconstruction company is in the business of acquiring Non-performing assets (NPAs). The Banks and an ARC get into an agreement in which the ARC take over the NPAs from the Banks Balance Sheet at a certain amount, lower than the Book Value. After this process, the particular ARC try to recover this amount from the borrowers.

Bad Bank:

A bad bank is solution to segregate NPA's from a bank's core business. After the bad assets are removed from the balance sheet, the bank can start its loan business again. The solution of NPAs lies in the fact that the bank will earn enough interest from new good loans to cover the losses from the bad loans it made earlier.

Public Private Partnership: All You Need To Know

PUBLIC PRIVATE PARTNERSHIP (PPP)

A public-private partnership also referred to as PPP or 3P is defined by the government of India in 2011 as a business venture which is owned by the government (public sector) on one side and a private sector venture on the other side. The operations and funding of a project under the PPP model is done under the partnership of government and one or more private sector companies. It was introduced for projects related to public assets and public services. The private sector undertakes the management and investments of the project, for a specified amount of time and receives payments upon reaching a benchmark based on analysis measured by the public sector entity. There is an equal allocation of risks and returns by both the parties. This approach of developing projects which are for the public with the contractual partnership of government and private sector is called PPP.

KELKAR COMMITTEE:

A committee was set up to evaluate PPP in India, headed by Vijay Kelkar. The committee was set up following 2015 Union budget of India by the then finance minister of India Arun Jaitley. It comprised 10 members. The committee constituted of representatives from department of Economics, - Director General of National Council of Applied Economic Research (NCAER), Union transport ministry representative, Managing Director of corporate banking group of State Bank of India.

Types of PPP:

There are different models of PPP to allow different levels of private sector participation.

1. The private sector builds, develops, operates and manages an asset and does not transfer the ownership to the government. The schemes are referred as:

Build – own – operate (BOO)

Design – construct- manage – finance (DCMF)

Build – Develop – Operate (BDO)

2. The private sector buys an existing asset from the government and renovates, expands, and then operates the asset without transferring ownership to the government. The variants under this model are:

Buy- Build- Operate (BBO)

Lease – Develop – Operate (LDO)

Wrap – Around – Addition (WAA)

3. The private sector designs and builds an asset operates it and then transfers it to the government after the contract period ends. The asset is rented or leased to the private sector by the government. The variants include:

- Build- Operate- Transfer (BOT)
- Build – Rent – Own – Transfer (BROT)
- Build – Own – Operate – Transfer (BOOT)
- Build –Transfer- Operate (BTO)
- Build – lease – operate – transfer (BLOT)

Some successful PPP project:

Karnataka: Bangalore International Airport is the first airport in the country being executed through the PPP route.

Andhra Pradesh: The Hyderabad International Airport is executed under the build own operate (BOO) format. Other such projects are the Kakinada Deep Water Port, developed on the operate- maintain- share-and-transfer (OMST)

format; the Gangavaram Port comes under build own operate and transfer (BOOT) mode, Hyderabad Outer Ring Road.

Gujarat: The concept of PPP was introduced with the construction of Pipavav port by Gujarat Maritime Board.

Risks associated:

- There have been a number of critics associated with Public Private Partnerships in India, in particular related to the risks that come with such partnerships.

- Cost attached
- Social and political consequences such as transfer of a civil servant into private sector
- Renegotiation of the assets due to long term nature of the projects.
- Lack of managerial experience
- Political interference
- Inadequate resources
- Lack of transparency.
- Inexperienced personnel for project appraisal.

State Bank Of India: Learn Key Points Using Mind Map

Introduction:

- State Bank of India (SBI) is an Indian multinational, public sector banking and financial services company, owned by Government of India.
- As of 31 March 2016, SBI has 49,577 ATMs & SBI group has 58,541 ATMs.
- In 2016, Google search trends indicated that SBI jobs is one of the most searched keyword as compared to other banks.
- Let us see in detail about the Icon of our Indian Banking Sector.



- The Bank of Bengal was one of three Presidency banks, the other two were the Bank of Bombay and the Bank of Madras.
- These three banks received the exclusive right to issue paper currency till 1861.
- With the Paper Currency Act, the right was taken over by the Government of India.
- On 27 January 1921, the three presidency banks got merged as a single bank called the Imperial Bank of India.
- On 1 July 1955, the imperial Bank of India became the State Bank of India.
- On 2 June 1956, State Bank of India got nationalized.
- In 1959, the government passed the State Bank of India (Subsidiary Banks) Act.
- This act resulted in the birth of eight Associates of SBI.
- In 1963 SBI merged State Bank of Jaipur and State Bank of Bikaner.
- On 13 August 2008 State Bank of Saurashtra merged with SBI
- On 19 June 2009, State Bank of Indore merged with SBI.

History

- The roots of the State Bank of India lie in the first decade of the 19th century, when the Bank of Calcutta, was established on 2 June 1806.
- The Bank of Calcutta, was the oldest commercial bank in India, later renamed as Bank of Bengal.

Banking Awareness Capsule : March - 2017

- On 7 October 2014, Arundhati Bhattacharya became the first woman to be appointed Chairperson of the bank.
- In 2008, the Government of India acquired the Reserve Bank of India's stake in SBI.

Acquisition:

- Bank of Bihar in 1969
- National Bank of Lahore in 1970.
- Krishnaram Baldeo Bank in 1975.
- Bank of Cochin in 1985.

Merging of Associate banks:

- State Bank of Bikaner & Jaipur (founded 1963)
- State Bank of Hyderabad (founded 1941)
- State Bank of Mysore (founded 1913)
- State Bank of Patiala (founded 1917)
- State Bank of Travancore (founded 1945)
- Bharatiya Mahila Bank(founded 2013)

Note:

- The merger of these six Associates was approved by Union Cabinet on 15 June 2016
- On 15 February 2017, the Union Cabinet approved the merger of 5 associate banks with SBI, Except Bharatiya Mahila Bank.
- Bharatiya Mahila Bank will be merged in the next fiscal year.

Designed by: Shekhar Kammat

Designed on: 1st October, 1971

Note: The logo was the aerial view of the Kankaria Lake in Ahmedabad, Gujarat.

Tagline : With you all the way
Pure banking nothing else

The nation's bank on us

Headquarter: Mumbai, Maharashtra, India

Founded on: 2 June 1806, Bank of Calcutta
27 January 1921, Imperial Bank of India
1 July 1955, State Bank of India

Chairperson: Arundhati Bhattacharya

Non -Banking Subsidiaries

- SBI Capital Markets Ltd
- SBI Funds Management Pvt Ltd
- SBI Factors & Commercial Services Pvt Ltd
- SBI Cards & Payments Services Pvt. Ltd.
- SBI DFHI Ltd (SBI Discount and Finance House of India)
- SBI Life Insurance Company Limited (joint venture with BNP Paribas)
- SBI General Insurance

Associates Banks

- State Bank of Patiala (founded 1917)
- State Bank of Mysore (founded 1913)
- State Bank of Bikaner & Jaipur (founded 1963)
- State Bank of Hyderabad (founded 1941)
- State Bank of Travancore (founded 1945)
- Bharatiya Mahila Bank(founded 2013)

Awards Received:

- SBI was ranked 232nd in the Fortune Global 500 rankings of the world's biggest corporations (2016).
- SBI was ranked as the top bank in India based on tier 1 capital by The Banker magazine in a 2014 ranking.
- SBI was 50th Most Trusted brand in India as per the Brand Trust Report 2013
- SBI was 19th Most Trusted Brand in India, as per the Brand Trust Report 2014
- SBI was named the 29th most reputed company in the world according to Forbes 2009 rankings

SBI sponsors the following regional rural banks (RRB):

- Vananchal Gramin Bank (Jharkhand)
- Utkal Grameen Bank (Odissa)
- Ellaquai Dehati Bank(JK)
- Purvanchal Bank (UP)
- Langpi Dehangi Rural Bank (Assam)
- Malwa Gramin Bank (Punjab)
- Kaveri Grameena Bank (Karnataka)
- e-Kyc
- Boutique financing scheme
- Tab banking facility
- Twitter handle account
- Youth for India
- IMT (instant money transfer) App
- SBI launches 'State Bank of India no queue' mobile app
- SBI mingle

Apps Launched Recently

- e-Forex

List of Important Abbreviations For SBI PO

- **PSBs:** Public Sector Banks
- **SNBCs:** Schedule Non-Commercial Banks
- **SENSEX:** Sensitive Index Of Stock Exchange
- **GNP:** Gross National Product
- **GDP:** Gross Domestic Product
- **GVA:** Gross Value Added
- **KYC:** Know Your Customer
- **RTGS:** Real Time Gross Settlement
- **NEFT:** National Electronic Money Transfer
- **EFT:** Electronic Fund Transfer
- **CBS:** Core Banking Solutions
- **LIBOR:** London Interbank Offered Rate
- **MIBOR:** Mumbai Interbank Offered Rate
- **MIBID:** Mumbai Interbank Bid Rate
- **SARFAESI:** Securitization and Reconstruction Of Financial Assets and Enforcement Of Security Interest
- **CAR:** Capital Adequacy Ratio
- **FII:** Foreign Institutional Investments
- **FDI:** Foreign Direct Investment
- **IPO:** Initial Public Offering
- **MICR:** Magnetic Ink Character Recognition
- **ALM:** Asset Liability Management
- **INFINET:** Indian Financial Network
- **OLTAS:** On-line Tax Accounting System for Direct Taxes
- **TIN:** Tax Information Network
- **IMPS:** Interbank Mobile Payment Service or Immediate Payment Service
- **CDR:** Corporate Debt Restructuring
- **CAD:** Capital Account Deficit
- **REIT:** Real Estate Investment Trusts
- **BIRD:** Bankers Institute Of Rural Development
- **IBA:** Indian Bank Association
- **BPLR:** Benchmark Prime Lending Rate
- **ICICI:** Industrial Credit and Investment Corporation Of India
- **HDFC:** Housing Development Finance Corporation
- **SWOT:** Strength, Weaknesses, Opportunities and Threats
- **SWIFT:** Society For Worldwide Interbank Financial Telecommunication
- **FERA:** Foreign Exchange Regulatory Act
- **FEMA:** Foreign Exchange Management Act
- **CASA:** Current and Saving Account
- **NDTL:** Net Demand and Time Liabilities
- **NASDAQ:** National Association For Securities Dealers Automated Quotations
- **CRISIL:** Credit Rating and Investment Services India Limited



- **CIBIL:** Credit Information Bureau Of India Limited
- **NAV:** Net Asset Value
- **ICRA:** Indian Credit Rating Agency
- **CARE:** Credit Analysis & Research Limited
- **WMAs:** Ways & Means Advances
- **InvITs:** Infrastructure Investment Trusts
- **ALM-** Asset Liability Management
- **ASBA:** Application Supported by Blocked Amount
- **PIN:** Personal Identification Number
- **CCEA:** Cabinet Committee on Economic Affairs
- **CECA:** Comprehensive Economic Cooperation Agreement
- **CEPA:** Comprehensive Economic Partnership Agreement
- **DTAA:** Double Taxation Avoidance Agreement
- **ECBs:** External Commercial Borrowings
- **EFSF:** European Financial Stability Facility
- **FINO:** Financial Inclusion Network Operation
- **FIPB:** Foreign Investment Promotion board
- **FSLRC:** Financial Sector Legislative Reforms Commission
- **CRAR:** Capital to Risk-weighted Assets Ratio
- **LCR:** Liquidity Coverage Ratio
- **TARC:** Tax Administration Reform Commission
- **GIRO:** Government Internal Revenue Order
- **FRBMA:** Fiscal Responsibility and Budget Management Act
- **AMFI:** Association of Mutual Fund in India.
- **TIEA:** Tax Information exchange Agreement
- **GAAR:** General anti avoidance rule
- **GSLV:** Geo-Synchronous Launch Vehicle
- **PPP:** Public Private Partnership and Purchasing Power parity
- **PSLV:** Polar Satellite Launch vehicle
- **TAPI:** Turkmenistan-Afghanistan-Pakistan-India.
- **QFI:** Qualified Foreign Investors
- **AD:** Authorized Dealer.
- **ASSOCHAM:** Associated Chambers of Commerce and Industry of India.
- **BCSBI:** Banking Codes and Standards Board of India.
- **BIS:** Bank for International Settlements.
- **CDS:** Credit Default Swap.
- **CEPA:** Comprehensive Economic Partnership Management.
- **FIMMDA:** Fixed Income Money MARKETS and Derivatives Association.
- **FPI:** Foreign Portfolio Investment.
- **IBRD:** International Bank for Reconstruction and Development.
- **UIDAI:** Unique Identification Development Authority of India.



Role of Immediate Payment Services in Banking

INTRODUCTION:

Immediate Payment Service (IMPS) is an immediate real-time inter-bank electronic funds transfer system in India. IMPS offer an interbank electronic fund transfer service through smartphones. Unlike NEFT and RTGS, the facility is available 24/7 throughout the year including bank

holidays. This service is not only safe but also cost-effective both in financial & non-financial outlooks. The IMP service is provided by National Payments Corporation of India (NPCI).

NEED FOR IMPS:

Before, IMPS system, the transactions could be done either by NEFT or by RTGS. But, this NEFT &

RTGS works during banking hours only. So, a pilot survey was conducted by NPCI along with SBI, BOI, UBI & ICICI in 2010 to create a system that works 24/7. As an outcome, IMPS public launch happened on 22-Nov-2010 by Smt. Shyamala Gopinath, Deputy Governor, RBI at Mumbai.

IMPS CONTRIBUTORS:

- Remitter (Sender)
- Beneficiary (Receiver)
- National Financial Switch by NPCI
- Banks

OBJECTIVES:

- To be client friendly, so customers don't need to expect tomorrow to create remittances.
- To create the payment less complicated with the use of the mobile number.
- To attain digitisation in doing retail payments.

- Building the foundation for mobile based Banking services.

IMPORTANT POINTS:

- To participate in IMPS, banks should be having approval from RBI for Mobile Banking Service.
- To transact through mobile, customers should get registered first for Mobile Banking.
- The banks will issue a 7 digit unique Mobile Money Identifier (MMID) number to start the transaction.
- Every cell phone be it a basic set or smartphone is eligible for IMPS.
- For a single mobile number, more than one account can be linked.
- As per the individual bank policy, the transaction fee is applicable for IMPS.



Difference Between Various NRI Accounts in India

Account opening	
FCNR	NRIs/PIOs/OCIs (Individuals/entities of Bangladesh/Pakistan require prior approval of RBI)
NRE	NRIs/PIOs/OCIs (Individuals/entities of Bangladesh/Pakistan require prior approval of RBI)
NRO	Any Individual resident outside India
Joint Account	
FCNR	In the names of two or more non-resident individuals. With a local close relative on 'former or survivor basis'
NRE	In the names of two or more non-resident individuals. With a local close relative on 'former or survivor basis'

Banking Awareness Capsule : March - 2017

NRO	In the names of two or more non-resident individuals. With a local close relative on 'former or survivor basis'
Currency in which account is denominated	
FCNR	US dollar, pound sterling, Yen, Euro, Australian dollar & Canadian dollar
NRE	Indian Rupees
NRO	Indian Rupees
Nomination	
FCNR	Allowable
NRE	Allowable
NRO	Allowable
Account Type	
FCNR	Term Deposit only
NRE	Savings, Current, Fixed, Recurring deposit
NRO	Savings, Current, Fixed, Recurring deposit
Interest Rate	
FCNR	Banks are allowed to determine interest rates for Deposits
NRE	Banks are allowed to determine interest rates for Deposits
NRO	Banks are allowed to determine interest rates for Deposits
Fixed deposits-period	
FCNR	Not less than 1 year and not more than 5 years
NRE	Min- 1year Max- 10years
NRO	As applicable to resident accounts
Income Tax	
FCNR	Not Taxable
NRE	Not Taxable
NRO	TDS on Interest received on NRO deposits to be deducted at 30.90%
Repatriability	
FCNR	Repatriable

NRE	Repatriable
NRO	Non- Repatriable
Loans in India	
1)To account holder 2)To third parties	
FCNR	Without any financial ceiling on the loan amount subject to standard margin requirements
NRE	Without any financial ceiling on the loan amount subject to standard margin requirements
NRO	1. Permitted 2. Permitted
Loans in Abroad	
1)To account holder 2)To third parties	
FCNR	1) Without any financial ceiling on the loan amount subject to standard margin requirements 2) Not Permitted
NRE	Without any financial ceiling on the loan amount subject to standard margin requirements
NRO	1. Not permitted 2. 2) Not permitted

Small Finance Banks: Role In Financial Inclusion

New Small Finance Banks in India

Recently two microlenders, Suryoday Micro Finance Private Limited, Navi Mumbai and Utkarsh Micro Finance Private Limited started operations as new Small Finance Banks. They will offer interest rates of more than 6% to compete with commercial lenders for saving bank deposits as most of the commercial banks offer 4% on savings accounts.

Main Objectives of Small Finance Banks(SFBs)

- The SFBs in India primarily focus on accepting Saving Deposits and micro lending to small business companies, marginal and small farmers, Micro, Small & Medium Enterprises(MSME), and other unorganised sector companies, currently underserved by scheduled commercial banks; through high technology-low cost operations.
- RBI estimates gives a specific data that around 90% of small businesses in India

have no links with formal financial institutions.

- Therefore, the SFBs are very crucial to provide financial inclusion to sections of the Indian Economy which are currently not being served by other Public Sector and Private Banks.

Understanding the Concept of Small Finance Banks(SFBs)

Small Finance Bank(SFB) is a type of bank in India which is globally known as 'Niche Banks'. The SFBs are registered as a public limited company under the Companies Act, 2013. They are licensed under Section 22 of the Banking Regulation Act, 1949. Also, SFBs can be given scheduled bank status once they commence their operations, and qualify the requirements as per Section 42(6) (a) of the Reserve Bank of India Act, 1934. The SFBs are scaled down versions of scheduled commercial banks, with both deposit-taking and loanmaking functions.

According to RBI guidelines for Licensing of Small Finance Banks in the Private Sector,

- An SFB must have a minimum paid-up equity capital of Rs. 100 crore.
- Resident individuals/professionals with 10 years of experience in banking and finance; and companies and societies owned and

controlled by residents are eligible to set up small finance banks. Existing Non-Banking Finance Companies (NBFCs), Micro Finance Institutions (MFIs), and Local Area Banks (LABs) that are owned and controlled by residents can also opt for conversion into small finance banks.

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

Key Terms:

Niche Banks:

Those banks which serve the needs of a specific demographic segment of the population. They typically target a specific market or type of customer(just like small finance banks). In India we have two categories of Niche Bank- Payments Banks and Small Finance Banks.

Payments Banks:

It is a new model of banks conceptualised by the Reserve Bank of India (RBI). This type of bank can only accept(cannot lend) a limited amount of deposit. Currently, this amount is limited to Rs. 1 lakh per customer. These banks can also issue ATM cards but they have no permission of issuing Credit Cards.

Allahabad Bank: Remember Key Points

Introduction:

- Allahabad Bank is the oldest joint stock bank in India.
- On 24 April 2014, the bank entered into its 150th year of establishment.

- The bank has a branch in Hong Kong and a representative office in Shenzhen.

History:

- On 24 April 1865, a group of Europeans at Allahabad founded Allahabad Bank.
- At the end of 19th century, it had branches at Jhansi, Kanpur, Lucknow, Bareilly, Nainital, Calcutta and Delhi.
- In 1920, P & O Banking Corporation acquired Allahabad Bank.
- In 1923 the bank moved its head office and the registered office to Calcutta.
- Then in 1927 Chartered Bank of India, Australia and China acquired P&O Bank. However, Chartered Bank continued to operate Allahabad Bank as a separate Bank.
- On 19 July 1969, the Indian Government nationalised Allahabad Bank.
- In October 1989, Allahabad Bank acquired United Industrial Bank

Tagline: A Tradition Of Trust

Headquarter: Kolkata

MD & Chairman: Rakesh Sethi

Founded On: 24th April, 1865 in Allahabad

Logo of Allahabad Bank:

Credit Control Methods of RBI: Explained

Quantitative Methods

BANK RATE:-

It is the rate at which bills are discounted & rediscounted by the banks with the RBI. During inflation, the bank rate is increased & during deflation, bank rate will be decreased.

OPEN MARKET OPERATION:-

The buying & selling of government securities by the RBI directly in the open market is known as 'Open Market Operations'. During inflation, the securities are sold in the market by the central bank. While in the deflation period, the RBI buys the bills from the market & pays cash to the commercial banks.

VARIABLE RESERVE RATIO:-

All commercial banks have to keep a minimum cash reserve with the RBI depending on the deposits of the commercial banks. During inflation, this variable reserve ratio is increased & at the time of deflation, the ratio is decreased.

QUALITATIVE METHODS:-

This approach is also known as 'Selective Credit Control Methods'.

FIXATION OF MARGIN:-

The Banker will be lending money against the price of securities. The amount of loan will be depending upon the margin requirements of the banker. The word 'margin' in the above statement means the difference b/w the loan value & market value of securities.

The RBI will be having the power to change the margins, which limits the loan amount to be sanctioned by the commercial banks. During inflation, the margin would be higher & it will be lower at the time of deflation.

REGULATION OF CONSUMER CREDIT:

The buyer gets this kind of foreign exchange reserves & exchange value of the Rupee in relation to other country's currencies. Currencies should only be exchanged with RBI or its authorised banks.

DIRECT ACTION:

To control the volume of bank loans the RBI may issue instructions to the commercial banks from time to time. The instructions may be in the form of oral or written statements or appeals or warnings. By means of these instructions, the central bank may increase or decrease the volume of credit.

RATIONING OF CREDIT:

It is a system of regulating & controlling purpose for which credit is guaranteed by the commercial bank. It is of two types.

Variable Portfolio Ceilings:

In this, the RBI fixes a maximum amount of loans & advances for every commercial bank.

Variable Capital Assets Ratio:

In this technique, the RBI fixes a ratio, which the capital of the commercial bank must bear to the total assets of the bank. By varying this ratio the credit can be controlled.

MORAL SUASION:-

This is a tactful technique followed by RBI. In this technique, the RBI will give advice & suggestions to the bankers to follow the directives given by it, by sending letters & conducting the meeting of the Board of Directors.

Pros and Cons of RBI's Proportional Reserve System

Introduction

In order to issue currency notes of different denominations, the RBI followed a system as the backing of the value of notes issued, which is known as proportional reserve system. The proportional reserve system of note issue was followed in India until 1956. The current system used for note issue is minimum reserve system which will be discussed in another article.

Reserve bank of India maintains certain reserves. This is to provide support to the total volume of currency issued by the Reserve Bank of India. According to proportional reserve system, out of the reserves, certain percentage or proportion has to be held in the form of precious metals like gold. The remaining amount of reserves is to be maintained in the form of assets such as commercial bills or government securities. PRS was

adopted in India on recommendations of Hilton Young Commission in 1927.

History of the system

Germany was first to adopt the Proportional Reserve System of note issue in the year 1875. A number of precious metals to be maintained in the reserves usually varies from 25% (in countries like Canada and Argentina) to 40% (in countries like Germany, USA and India). The remaining proportion of the reserves must consist of standard securities that vary from 75% to 60%.

RBI Act, 1934

- The entire issue of currency notes is subjected to the regulations framed in the RBI Act, 1934.
- As per section 33 (2) of the RBI Act, 1934, the amount of the reserves to be maintained should be equal to the minimum of 40 per

cent in gold and sterling securities where the value of gold bullion should not be less than Rs. 40 crore, for backing the issue of currency notes in India.

- This Act was amended in 1948 by replacing foreign securities in place of sterling securities. As a result, as per the proportional reserve system, the RBI had to maintain reserves equal to 40 % in gold and foreign currencies.
- The remaining 60 % was maintained by one rupee notes or rupee coins and government securities.
- The proportional reserve system proved to be very much inelastic and inflexible with the growing demand for currency notes and the security of gold.
- Therefore proportional reserve system was abolished in 1956 and the RBI Act 1935 was again amended in 1957 so as to adopt minimum reserve system of note issue.

Merits

The proportional reserve system has the following advantages:

- This system guarantees convertibility of paper currency.
- The monetary authority can issue paper currency much more than that warranted by reserves thereby it ensures elasticity in the monetary system;
- This method of note issue is economical and can be easily adopted by the developing or under-developed countries.

Demerits

The proportional reserves system has following drawbacks:

- Under this system, a large amount of precious metal lies locked in the reserve and cannot be put to productive use. This results in wastage of their use.
- It is easy to expand or increase the currency but very difficult to reduce it. The reduction of currency has deflationary effects in the economy.
- In practice, high denomination notes are converted into low denomination notes and not into coins. Therefore the convertibility of paper notes is not practical.

Banking Cash Transaction Tax (BCTT): Explained

Why BCTT is important?

Recently, the Committee of Chief Ministers on Digital Payments has recommended the restoration of Banking Cash Transaction Tax(BCTT). It was recommended by the Committee in order to promote digital payments in the country. This committee was headed by Andhra Pradesh Chief Minister Chandrababu Naidu.

What is Banking Cash Transaction Tax (BCTT)?

- It is a type of Direct Tax which was levied(from 2005 to 2009) on cash transactions exceeding a specific amount from the bank by a customer.
- Currently, Government is examining the recommendations of the high-powered Committee of Chief Minister on Digital Payments. According to which, Banking Cash

Transaction Tax(BCTT) should be levied on cash deals of Rs. 50,000 and above.

- Earlier, it was first introduced in 2005 by the UPA-1 government under the Finance Act, 2005. But after four years it was rolled back on 1 April 2009. During this period it was 0.1%. Also, it was not applicable in the state of Jammu and Kashmir.
- Again, Tax Administration Committee headed by Parthasarathi Shome had also recommended reinstating the BCTT in 2014.

Benefits of Banking Cash Transaction Tax (BCTT)

- It will be a positive step against Black Money, as all currency denominations above a certain amount would be scrapped and it would force Black Money hoarders to switch to electronic methods of transaction. And with electronic transactions, a tax would be deducted straightway with every transaction at a nominal rate. It will drastically reduce the scope of hoarding cash wealth and evade taxes using the loopholes of Tax Laws.

- It will bring a large number of people under the taxation ambit.
- BCTT will help in achieving governments of making India a Cashless Economy.

Key Terms:

Direct Tax:

These are taxes which are directly paid to the government by the taxpayer. This tax is directly levied by the government on individuals and organisations. For Example, Income Tax, Wealth Tax, Corporation Tax, Banking Cash Transaction Tax(BCTT), etc.

Indirect Tax:

These taxes are levied on the manufacture or sale of goods and services. Indirect taxes are not directly paid to the government, instead, they are initially paid to an intermediary which transfer these taxes to the customer. For Example, sales tax, service tax, excise duty etc.

ICICI Bank: Learn Key Points Using Mind Map

Introduction:

- ICICI Bank is an Indian multinational banking and financial services company headquartered in Mumbai, and registered office in Vadodara.
- In 2014, it was the second largest bank in India in terms of assets and third in term of market capitalization.

History:

- The parent company of ICICI bank was formed in 1955 as a joint-venture of the World Bank, India's public-sector banks and public-sector insurance companies to provide project financing to Indian industry.
- The bank was founded as the Industrial Credit and Investment Corporation of India Bank in 1994
- The parent company was later merged with the bank.

Banking Awareness Capsule : March - 2017

- In 1998, ICICI Bank launched internet banking
- In 2000, ICICI Bank became the first Indian bank to list on the New York Stock Exchange

Tagline: Hum Hain Na!

Headquarter : Mumbai, Maharashtra.

Chairman : Mr.M.K.Sharma

MD & CEO : Mrs. Chanda Kochhar

Founded in : 1994

Acquisition:

- SCICI Ltd (1996)
- ITC Classic Finance (1997)
- Anagram(ENAGRAM) Finance (1998)
- Bank of Madurai (2001)
- The Darjeeling and Shimla branches of Grindlays Bank (2002)
- Investitsionno-Kreditny Bank (IKB), a Russian bank (2005)
- Sangli Bank(2007)
- The Bank of Rajasthan (2010)

Domestic Subsidiaries:

- ICICI Prudential Life Insurance Company Limited
- ICICI Lombard General Insurance Company Limited
- ICICI Prudential Asset Management Company Limited
- ICICI Prudential Trust Limited
- ICICI Securities Limited
- ICICI Securities Primary Dealership Limited
- ICICI Venture Funds Management Company Limited
- ICICI Home Finance Company Limited
- ICICI Investment Management Company Limited

- ICICI Trusteeship Services Limited
- ICICI Prudential Pension Funds Management Company Limited

International Subsidiaries:

- ICICI Bank USA
- ICICI Bank UK PLC
- ICICI Bank Canada
- ICICI Bank Germany
- ICICI Bank Eurasia Limited Liability Company
- ICICI Securities Holdings Inc.
- ICICI Securities Inc.
- ICICI International Limited.

Techno Products provided by ICICI Bank:

- ICICI Merchant Services
- Money2India
- Money2India Europe
- Extra home loans
- Smart Vault
- ICICI Bank Unifare Bangalore Metro Card
- Video Banking for NRI
- ICICIBankPay on Twitter
- Contactless Credit and Debit Cards
- MySavings Rewards
- iWish- the flexible recurring deposit
- Software robotics
- Blockchain technology
- Branch on Wheel in Odisha
- Digital Banking "POCKET"
- Digital Village Project in Akodara Village of Gujarat
- EMI on Debit Card
- I-Mobile app for windows phone
- ICICI Apathon App
- India's first" transparent credit card "in association with American Express
- M-Pesa
- Student Travel Card



Banking Awareness Capsule : March - 2017

- Tap and pay
- 'Saral Rural Housing Loan' Scheme

Initiatives

- 100 Digital Villages
- Go Green

Jiyo Khulke contest:

- Launched on: March 16, 2015
- ICICI customers were invited to write their Jiyo Khulke moment (their most cherished moment of life)

- In 2016 this contest got entered in the Limca Book of Records.

Awards Received Recently:

- Best Retail Bank in India in Retail Financial Services Awards 2016.
- Gold awards in the 'Bank' and 'Credit card issuing Bank' segments in the Reader's Digest Trusted Brand 2016 Survey.
- First in The Brand Trust Report (2016) by Trust Research Advisory
- Global Safety Awards 2016 organised by the Energy and Environment Foundation.

NPA and SARFAESI Act, 2002

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

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

NPA's are further sub-classified into

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

SARFAESI ACT, 2002

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

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

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

4. The amount due from the borrowers in more than Rs. 1 lakh.

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

1. By taking possession of the secured assets including the right to transfer by way of lease, assignment or sale for releasing the secured assets.
2. By taking over the management of the secured assets.
3. By appointing a manager to manage the secured assets.
4. By requiring any third party who has acquired the secured assets from borrower.
 - In case of a consortium advance, the aforesaid actions can be taken only when secured creditors representing 75% or more in value agree for such action.

IMPORTANT QUESTIONS

1. What is a balance on Current Account?

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

2. What are ways and means advances?

Ways and means advances are the short-term credit from the central bank (RBI) to the government which allows the government to meet

its immediate requirements. If the government wants money above this it will have to borrow by issuing bonds, which are auctioned by RBI.

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

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

4. What is board for Financial Supervision?

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

5. What is Islamic Banking?

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

Minimum Reserve System of RBI: Explained

Introduction

The Reserve bank of India has the authority to issue currency. The current system of Indian government to issue notes is "Minimum Reserve

System". Under this policy, the minimum reserves to be maintained in the form of gold and foreign exchange should consist of rupees 200 crore. Out of this reserve, the value of gold to be maintained is rupees 115 crore. This system was introduced in

1956 replacing the proportional reserve system, and continues till date.

Currency Issue Department

The RBI has Issue Department under it for issue of currency. Minimum reserves refer to the reserves maintained by the RBI against the notes issued. The currency issued is the liability to RBI, as it has to pay the currency holder the amount promised on the currency note. Therefore RBI maintains certain reserve against this liability. The department can issue any number of notes maintaining the aforementioned reserve. But RBI has certain rules for issue of currency which is based on the economy of the country. This system is inflationary in nature. This system has flexibility to increase the money supply to meet the transactional needs of the people in the country.

RBI Act of 1935

The issue of currency note is under the RBI Act of 1935. There are a number of amendments made under this act. The present currency note cannot be issued by the RBI in unlimited amount as it is an inconvertible paper note. Under the current provisions, additional currency can be issued by the RBI without maintaining the additional reserves.

Advantages:

- This method is elastic in nature.
- Increase in issue of notes does not require increase in the minimum reserves.
- This method is reliable during financial crisis and emergencies like war, earth quake and floods.

- This method is suitable for poor and developing countries.

Disadvantages:

- There is a danger of over issue thereby increasing the money supply which brings inflation.
- The effective use of monetary policy measures can show good result to control the inflation.

How new currencies are issued by RBI-

- Based on the economic growth of the country, RBI decides to expand the money supply. With increase in the economic growth, the amount of newly issued money increases. This maintains the economy without falling into inflation.
- Each unit of new currency issued is a liability to the RBI, as it has to pay to the bearer the amount promised on the currency. To be able to pay this amount, there should be equal amount of assets with the RBI. Therefore, RBI procures certain assets which are equal to the newly issued currency. These assets are in the form of government bonds or foreign assets. The foreign assets are kept at the Banking Department and the reserves to be maintained are kept at Issue Department.
- The assets to be maintained by the RBI as a backup of the currency to be issued consists of gold in the form of gold coins and gold bullion, foreign securities, government of India securities, commercial paper, internal bills of exchange and rupee coin.

International Financial Organizations: Headquarters & Functions

World Bank Group (WBG)	
Formed in	1945
Member countries	189 countries (India is also a member)
Headquarters	Washington, DC
President:	Jim Yong Kim
The World Bank Group (WBG) is a family of five international organizations as follows	<ul style="list-style-type: none"> ▪ International Bank for Reconstruction and Development (IBRD), ▪ International Finance Corporation (IFC) ▪ International Development Association (IDA), ▪ International Centre for Settlement of Investment Disputes (ICSID), ▪ Multilateral Investment Guarantee Agency (MIGA)
Functions:	The World Bank focuses on developing countries, in fields such as human development, agriculture and rural development, environmental protection, infrastructure, large industrial construction projects, and governance.
International Monetary Fund (IMF)	
Formed on	27 December 1945
Member countries	189 countries (India is also a member)
Headquarters	Washington, DC
Managing Director	Christine Lagarde
Functions	It works for global growth and economic stability by providing policy, advice and financing to members, by working with developing nations to help them achieve macroeconomic stability and reduce poverty. The IMF provides alternate sources of financing.
Asian Infrastructure Investment Bank (AIIB)	
Formed in	December 2015
Member countries	50 countries (India is also a member)
Headquarters	Beijing, China

Banking Awareness Capsule : March - 2017

President	Jin Liqun
Functions	Its function is to support the building of infrastructure in the Asia-Pacific region. The bank has 50 member states (all "Founding Members") and was proposed as an initiative by the government of China.
Asian Development Bank (ADB)	
Formed in	1966
Member countries	67 countries (India is also a member)
Headquarters	Mandaluyong, Metro Manila, Philippines
President	Takehiko Nakao
Functions	This organisation works on reducing poverty in Asia and the Pacific through inclusive economic growth, environmentally sustainable growth, and regional integration. This is carried out through investments in the form of loans, grants and information sharing.
European Bank for Reconstruction and Development (EBRD)	
Formed in	1991
Member countries	67 countries (India is not a member)
Headquarters	London
President	Sir Suma Chakrabarti
Functions	It offers project financing for banks, industries and businesses, for new ventures or existing companies. It works with publicly owned companies to support their privatization, as advocated by the WTO since the 1980 and in the improvement of municipal services.
European Investment Bank (EIB)	
Formed in	1958
Member countries	28 member states of the EU (India is not a member)
Headquarters	Luxembourg
President	Werner Hoyer
Functions	It is a nonprofit long-term lending institution. It supports for small and medium sized enterprises to attain environmental sustainability and in development of Trans-European Networks of

	transport and energy and for many others purposes.
Islamic Development Bank (IDB)	
Formed in	1975
Member countries	57 countries (India is not a member)
Headquarters	Jeddah, Saudi Arabia
President	Ahamad Mohamed Ali Al Madani
Functions	This is a multilateral development financing institution which helps in the development of member states. The basic condition for membership is that the prospective member country should be a member of the Organization of Islamic Cooperation.
African Development Bank	
Formed in	1964
Member countries	78 countries (India is also a member)
Headquarters	Abidjan, Ivory Coast
President	Akinwumi Adesina
Functions	It is established to contribute to the economic development and social progress of African countries. The primary function is to provide loans and equity investments for the socio-economic advancement, Technical assistance for development projects, and assists in organizing the development policies.

Difference Between Central Bank And Commercial Bank

CENTRAL BANK	COMMERCIAL BANK
The central bank is the apex institution of the financial and banking structure of the nation	It is one of the structures of the money market.
Wholly owned by the government	Owned by share holders
It is a no-profit organization which implements the financial policies of the government	It is a profit making organization
It has the monopoly of note issue	It can only issues cheques

Banking Awareness Capsule : March - 2017

It is a banker to the government and does not involve itself in normal banking activities	It is a banker to public
It grants space to commercial banks in the form of rediscount facilities, keeps their cash reserves, and clears their balances	It gives loans to and accepts deposits from the public
The control of credits in accordance with the needs of business & economy is done by this bank.	Credit is created to meet the business requirements
It helps to establish financial organization so as to strengthen money & capital markets in a country	It helps industry by guaranteeing shares & debentures, & agriculture by meeting its monetary requirements through cooperative or individually
The chief of this bank is designated as "GOVERNOR"	The chief of this bank is called as "CHAIRMAN"
This bank is the guardian of the foreign currency reserves of the country	It is the dealer of foreign currencies
Each country will be having only one central bank with its offices at major centers of the country	There are several commercial banks with hundreds of branches within and outside the country

Banking & Financial Awareness One-Liner: March 2017

BUDGETS IN VARIOUS STATES:

- Arunachal Pradesh Finance Minister presented the deficit budget of 285 crores.
- Telangana Finance Minister presented the budget of rupees 1,49,646 crores for the year 2017-18.
- Andhra Pradesh Government presented a budget of Rupees 1,56,999 Crores for the current financial year 2017-18.
- Meghalaya Government presented the budget for Rs. 1236 crores.
- Tamil Nadu Government presented a budget of Rs. 1,59,363 crores for the financial year 2017-18.

- Mark Tucker have become the Chairman of HSBC Holding Plc and Stuart Gulliver is the Chief Executive Officer of HSBC Holding Plc.
- Intel has decided to buy Mobileye, Israeli-based company for USD 15.3 billion.
- Hyundai, a South Korean based automobile company tied up with Iran Oil company for 3.2 Billion dollars.
- Rupees 18.5 crores have been allocated by Government of Pakistan for national Census 2017.
- MOU signed between China and Saudi Arabia on Energy, investment, space and another sector for USD 65 Billion.

INTERNATIONAL FINANCIAL AWARENESS:

- USD 175 million was allocated by World Bank for National Hydrology Project of India.
- For maintenance of Sukhoi-30MKI Jets India and Russia have tied an MOU for USD 300 million.
- To acquire AH-64E apache level helicopters, US government and Boeing Co have tied up with USD 3.4 billion.
- G20 Finance Ministers and Central Bank Governor meet held in Germany.
- Chief Executive Officer of Reliance Commercial Finance Private Limited is Devang Mody.
- HDFC has launched digital loans against security services.
- Future Generali Insurance Company has tied up with UCO bank, a Kolkata-based bank to market its product through UCO bank customers.
- State Bank of India has tied up with CREDAI, a real estate developer to develop realty sector.

BANKING AWARENESS:

- Karnataka Bank has signed MOU with Bajaj Allianz General Insurance Company to provide non-life insurance products to bank customers.
- Yes Bank has tied up with Udaipur, Nashik and Puducherry for smart city initiatives to provide payment related solution.
- An agreement worth of USD 274 Crores was allocated German Development Bank and State Bank of India for providing affordable housing in India.
- SBI Infra Management Solution Private Limited have been wholly own by State Bank of India to manage its premises and estate related matters.
- Reserve Bank of India have removed all the restriction on withdrawal of money from saving accounts from March 13, 2017.
- Digital Wallets are opened by Reserve Bank of India for Unified Payment Interface as a part of digitisation of India.
- One Time Settlement Scheme launched by State Bank of India for tractor loans at the total cost of 6000 crores.
- IndusInd bank, a Mumbai-based bank agreed to buy 100 percent stake in Infrastructure Leasing and Financial Service Limited.
- Bibhu Prasad Kanungo was appointed as the new Deputy Governor of Reserve Bank of India replacing Mr R. Gandhi.
- Bandhan Bank, a Kolkata-based bank have tied up with Avenues India Private Limited to provide payment Gateway product and Point of Sales to merchants.
- Reserve Bank of India has got permission from Government of India to release trail plastic notes with 10 rupees denomination.
- United Bank of India had got 418 crores as a capital infusion from the centre under turnaround linked capital infusion plan.
- CASHe tied up with Rubique, an online market place to sell financial products.
- Essar Steels Nand Niketan is the first private cashless township is located in Gujarat.
- Managing Director and CEO of Indian Bank is Kishore Piraji Kharat.
- Managing Director and CEO of IDBI bank is Mahesh Kumar Jain.
- ONGC have tied up with Gujarat State Petroleum Corporation's entire 80% stake for USD 1.2 Billion.
- ONGC, a Dehradun-based Oil and gas Company, have planned to develop India's deepest gas discovery UD-1 by investing 21528 crores.



- ESAF Small Finance Bank was opened in Thrissur in Kerala.

GOVERNMENT OF INDIA:

- Rupees 52000 lakhs is given for blue revolution to develop fisheries in India by Union Government.
- Rs. 600 crores project Trade Infrastructure for Export Scheme (TIES) have been launched by Union Minister of Commerce and Industry, Ms. Nirmala Sitharaman to manage Export linked Infrastructure.
- 20 new project worth 1900 crores have been introduced by on the under Clean Ganga Project.
- India 's contribution to United Nations is Rs. 244 crores in 2015-16.
- Union Government has given dearness allowance or Dearness relief for central Government employees and pensioners from 2 percent to 4 percent.
- Rs.1160 crore was allocated to bring 50 new Kendriya Vidyalayas under Civil or defence sector.
- Next Chairman of Public Account Committee is Mallikarjun Kharge.
- Finance Ministry released a report that 29 lakh debt card were affected by virus in ATM machines which were connected to a switch made by Hitachi.
- 8586 crore have allocated by the government under turnaround linked capital infusion plan for 10 PSU's.
- Union Ministry approved 4 GST Legislations. The fourth GST legislation will be released as money bill in parliament to get final approval.

