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BANKING AWARENESS GUIDE

BY TEAM BANKEXAMSTODAY



BANKING AWARENESS GUIDE– FEBRUARY 2018

Dear BET readers,

Here we are providing you, banking awareness digest for the month of February. It will be easy for you to prepare for upcoming bank exams and interviews.

TABLE OF CONTENTS

PART A

Banking and Financial Awareness - February 2018.....	6
Axis Bank opens offshore banking branch at GIFT City.....	6
IFC, PNB Housing plan \$800m platform for affordable homes.....	6
After Fitch, Moody's places PNB under review for downgrade.....	6
Cabinet approves amendments to Chit Funds Act.....	7
ICAI issues show-cause notices to Punjab National Bank, Gitanjali Gems auditors.....	7
Malegam to head RBI panel to review frauds.....	7
Asian Development Bank (ADB) and the Government of India Sign \$ 84 Million Loan for Improvement and Expansion of Water Supply in the State of Bihar.....	7
The first sale of Electoral Bonds to start from 1st March.....	8
Aditya Birla Idea Payments Bank begins operations.....	8
Capital First Gets NHB Nod For Merger With IDFC Bank.....	8
NABARD Launches Rs 1,918 Crore Area Development Plan For Punjab.....	9
EPFO Cuts Interest Rate To 8.55% for 2017-18.	9
RBI Directs Banks to Link SWIFT to CBS by April 2018.....	9
Centre to Change Base Year for GDP, IIP to 2017-18.....	10
State bank Of India Write off Bad Loans.....	11
Amendments to small saving Act.....	11

Bank of Baroda to shut down its operations in South Africa.....	11
Reserve bank of India has made changes in qualification criteria of SME.....	12
Yes Bank has listed 600 million MTN bond.....	12
IPPB stated to enable digital payments in post offices	12
Reserve bank of India directs all banks to accept denomination coins from public.....	13
Small Finance banks and payment banks to offer Atal pension Yojana.	13
CriSidEx, India’s first sentiment index for micro and small enterprises (MSEs)	13
Indian Overseas Bank Receives Rs173 Cr Capital Infusion from Central Government	14
Axis Bank Launches 4th Edition of “Evolve”.	14
Six Bi-Monthly Monetary Policy Released By Reserve bank of India	14
RBI will link the base rate for loans.....	14
IndusInd Bank launched its new musical logo named Sonic Identity	15
RBI announced to set up an ombudsman in NBFCs also.....	15
Banks to accept only online applications for education loan.....	16
PNB signs Pact with National e-Governance Services.....	16
India and World Bank Sign \$100 Million Project to Boost Economy of TN.....	16
Government Signs \$250 Million Loan Agreement with ADB.....	17
Biswamohan Mahapatra appointed as Non-Executive Chairman of NPCI.....	18
NPCI (National Payments Corporation of India)	19
Interest Rate Swaps	19

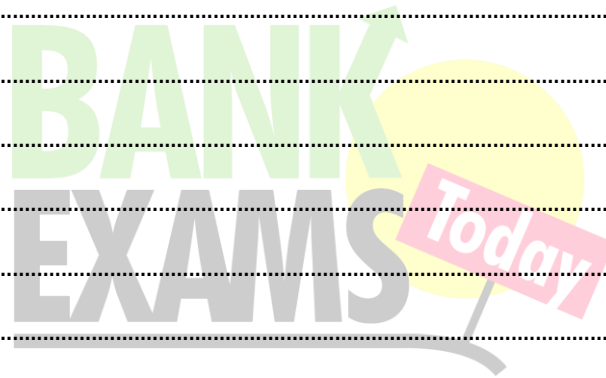
PART- B

Banking and Financial current Affairs one liners:.....	21
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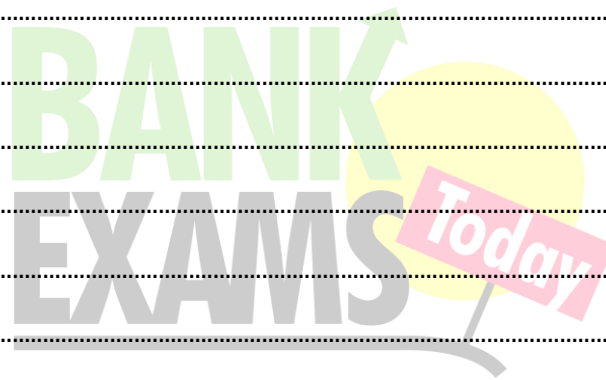
PART- C

50 important Banking terms for Interview.....	22
1. Repo Rate	23

2. Reverse Repo Rate.....	23
3. SLR –(Statutory Liquidity Ratio).....	23
4. Retail banking.....	23
5. Bitcoin.....	23
6. Call money.....	23
7. Notice money.....	24
8. Difference between Capital market and Money market	24
9. Scheduled bank.....	24
10. Non Performing Assets	24
11. Money Inflation.....	24
12. Negative interest rate	24
13. Green Banking	25
14. Blockchain system	25
15. Balloon mortgage	25
16. Retail credit operations.....	25
17. Skimming.....	25
18. Money laundering	26
19. Cheque	26
20. Direct Debit.....	26
21. Cash Credit.....	26
22. Bill of Exchange	26
23. Cash Reserves Ratio.....	27
24. Bank Rate	27
25. Marginal standing facility.....	27
26. Minimum Reserve system of RBI.....	27
27. Clean note policy of RBI.....	27
28. CAMELS rating system	28
29. Masala Bonds.....	28



30. Core Banking Solutions.....	28
31. Unified Payment Interface.....	29
32. Micro ATM S.....	29
33. Letter of Credit.....	29
34. Bancassurance.....	29
35. Banking Ombudsmen.....	29
36. The Balance of Trade.....	30
37. A Balance of Payments.....	30
38. NOSTRO Account.....	30
39. VOSTRO Account.....	30
40. LIBOR.....	30
41. MIBOR.....	31
42. CASA Account.....	31
43. RAFA Account.....	31
44. DEMAT account.....	31
45. Legal Tender.....	31
46. Currency Chest.....	31
47. Insolvency.....	32
48. Bankruptcy.....	32
49. Amortisation.....	32
50. Credit Crunch.....	32



PART – A

AXIS BANK OPENS OFFSHORE BANKING BRANCH AT GIFT CITY

- Axis Bank, the Private sector lender, has declared the opening of off-shore banking unit at the International Financial Services Centre (IFSC) at Gujarat International Finance Tec-City (GIFT City).
- With the opening of this unit, Axis Bank will be able to give a more extensive range of services to its clients with access to International financial markets. Axis Bank's off-shore banking branch at IFSC was inaugurated by the Union Commerce Secretary, Rita Teotia in presence of Shikha Sharma, MD & CEO, Axis Bank.
- The offshore Banking unit is able to trade in international currency in overseas markets and also with Indian Banks, raise funds in international currency in deposits & borrowings from non-residential sources and provide loans and liabilities products for customers.

IFC, PNB HOUSING PLAN \$800M PLATFORM FOR AFFORDABLE HOMES

- International Finance Corporation (IFC), a member of the World Bank Group, is set to join into a pact with PNB Housing Finance to form an \$800-million stage to support the construction of environment-friendly affordable houses across the country.
- IFC is supporting to mobilise over \$1.6 billion for affordable housing segment in less than 10 months.
- According to the agreement with PNB Housing Finance, IFC will make \$400 million readies for the new scheme, of which \$150 million will be its own money and the rest will be mobilised from other sources.

AFTER FITCH, MOODY'S PLACES PNB UNDER REVIEW FOR DOWNGRADE

- Punjab National Bank which has the biggest scam in the country's banking sector to the tune of Rs 11,340 crore at state-run PNB), credit rating agency Moody's placed the bank under review for downgrade.
- The agency has a Baa3/P-3 rating with the Delhi-based bank now while it has a Baa3 rating on its international currency issuer rating. The bank overall has a Baa2 rating with a steady outlook now from Moody's.
- Fitch has placed the bank on 'Rating Watch Negative' (RWN). "Fitch Ratings has placed Punjab National Bank's (PNB) Viability Rating of 'bb' on Rating Watch Negative (RWN), following the big fraud reported by PNB," the US-based agency said.

CABINET APPROVES AMENDMENTS TO CHIT FUNDS ACT

- The cabinet has passed amendments to the Chit Funds Act to promote the orderly growth of the sector and give more financial products and services to investors. The cabinet, chaired by Prime Minister Narendra Modi, has given the consent to enter the Chit Funds (Amendment) Bill, 2018 in Parliament.
- For the purpose, amendments would be made to the Chit Funds Act, 1982. One of the amendments is a use of the words "Fraternity Fund" for chit business in the Act to mean its inherent nature and distinguish its working from 'Prize Chits' which are banned under a separate legislation.

ICAI ISSUES SHOW-CAUSE NOTICES TO PUNJAB NATIONAL BANK, GITANJALI GEMS AUDITORS

- Institute of Chartered Accountants of India, ICAI has announced show-cause notices to the auditors of Punjab National Bank and Gitanjali Gems in connection with the 11,400 crore rupees fraud.
- ICAI has said that it has asked a deputy general manager of PNB seeking details about the fraud at the public sector lender

MALEGAM TO HEAD RBI PANEL TO REVIEW FRAUDS

- The Rs.11, 500-crore fraud at the Punjab National Bank has urged the Reserve Bank of India (RBI) to set up a committee under former board member Y.H. Malegam to look into the causes and suggest steps to stop such incidents.
- The committee will also look into the issue of large non-performing asset differences between what banks classify and what is discovered in RBI inspection and suggest steps to address the matter.
- The other members of the committee are Bharat Doshi, S. Raman and Nandkumar Saravade. A.K. Misra, Executive Director, RBI, will be the Member-Secretary of the committee.

ASIAN DEVELOPMENT BANK (ADB) AND THE GOVERNMENT OF INDIA SIGN \$ 84 MILLION LOAN FOR IMPROVEMENT AND EXPANSION OF WATER SUPPLY IN THE STATE OF BIHAR

- The Government of India and the Asian Development Bank (ADB) confirmed an \$84 million loan for development and expansion of water supply in Bhagalpur and Gaya towns in Bihar.
- The tranche 2 loan is part of the \$200 million Multi-Tranche Financing Facility (MFF) for the Bihar Urban Development Investment Program that was passed by ADB in 2012 to give sustainable urban infrastructure and services.

THE FIRST SALE OF ELECTORAL BONDS TO START FROM 1ST MARCH

- The first sale of Electoral Bonds will initiate from the 1st of next month for a period of ten days.
- State Bank of India has been approved to issue Electoral Bonds originally at its four authorised branches.
- Electoral Bond will be valid for 15 days from the date of issue and no payment shall be made to any payee Political Party if the Bond is deposited after the expiry of the validity period.
- The Bond deposited by any qualified political party to its account shall be credited on the same day.

ADITYA BIRLA IDEA PAYMENTS BANK BEGINS OPERATIONS

- Aditya Birla Idea Payments Bank Ltd (ABIPBL) started operations, making it the fifth payments bank to roll out services after the central bank gave its in-principle approval to 11 candidates in August 2015.
- "Aditya Birla Idea Payments Bank Ltd has started operations as a payments bank with effect from February 22, 2018,". The Reserve Bank has issued a licence to the bank under Section 22 (1) of the Banking Regulation Act, 1949 to carry on the business of payments bank in India.
- The roll-out comes at a time when the regulator has issued fresh know your customer norms for payments banks that are likely to increase operational costs for these banks.

CAPITAL FIRST GETS NHB NOD FOR MERGER WITH IDFC BANK.

- Capital first declared that the regulator National Housing Bank (NHB) has confirmed the merger of the company along with Capital Home Finance and Capital First Securities Limited with IDFC Bank.
- The amalgamation is subject to the receipt of support from the Reserve Bank of India and other statutory and regulatory approvals.

- The share swap ratio for the merger is fixed at 139:10, meaning IDFC Bank will issue 139 shares for every 10 shares of Capital First. The merger is likely to be built in the next two-three quarters.

NABARD LAUNCHES RS 1,918 CRORE AREA DEVELOPMENT PLAN FOR PUNJAB

- The National Bank for Agriculture and Rural Development (NABARD) declared area development plans worth Rs 1,918 crore for Punjab to improve farmers' income.
- Under this plan, the activities like dairy, vegetable cultivation, beekeeping and mushroom growing will be promoted in order to provide income to farmers at the sustainable basis.

EPFO CUTS INTEREST RATE TO 8.55% FOR 2017-18.

- Retirement fund body Employees' Provident Fund Organisation (EPFO) has reduced the interest rate on deposits to 8.55% for 2017-18 from 8.65% for 2016-17 following a general slump in interest rates.
- The move will benefit around 6 crore subscribers and leave EPFO with a surplus of Rs 586 crore against Rs 695 crore in the earlier financial year.

RBI DIRECTS BANKS TO LINK SWIFT TO CBS BY APRIL 2018

- PNB's 11,400 crore scam raised the question on banks' core banking solutions and thus threatened the people's trust in banks. To deal with the situation and to tighten the internal controls in banks Reserve Bank of India has directed the banks to integrate SWIFT (Society for Worldwide Interbank Financial Telecommunication) with its core banking solutions (CBS) by April 30
- "There is already a mandate from RBI that you need to comply with this straight through processing and combining SWIFT to CBS, who have not done. Everybody has started (sic),"
- PNB fraud has led many banks to review their internal processes and have started centralising and linking their processes to CBS. Each bank will have to review their control systems and technology separately, as their problems and loopholes may differ.
- "The risks arising from the potential malicious use of the SWIFT infrastructure, created by banks for their genuine business needs, has always been a component of their operational risk profile.
- RBI had, therefore, confidentially cautioned and alerted banks of such possible misuse, at least on three occasions since August 2016, advising them to implement the safeguards

detailed in the RBI's communications, for pre-empting such occurrences. Banks have, however, been at varying levels in implementation of such measures,"

WHAT IS SWIFT CODE?

- The Society for Worldwide Interbank Financial Telecommunication (SWIFT) provides a network that helps financial institutions worldwide to send and receive information about financial transactions in a secure and reliable environment. The Society for Worldwide Interbank Financial
- SWIFT transports financial messages in a highly secure way and does not hold accounts for its members or perform any form of clearing or settlement. SWIFT does not help in funds transfer rather it sends payment orders which must be settled by correspondent accounts that the institutions have with each other.

CENTRE TO CHANGE BASE YEAR FOR GDP, IIP TO 2017-18

- Narendra Modi-led government of India has decided to change the base year to 2017-18 for the calculation of GDP and IIP.
- The base rate for the retail inflation will be revised to 2018 and the ministry will undertake various steps in the next fiscal beginning April that will improve the statistical system that will help meet the data requirements in the emerging socio-economic scenario.
- The statistics and programme implementation minister D. V. Sadananda Gowda said
- "During 2018-19, the ministry is proposing to initiate steps to revise the base years of gross domestic product (GDP), Index of Industrial Production (IIP) and Consumer Price Index (CPI) to accommodate and factor the changes that take place in the economic scenario of the country,"

WHAT IS GDP?

- GDP stands for Gross Domestic Product which is a method of measuring a country's growth. It is the total value of the goods and services produced by all the people and companies in the country within country's boundaries. 2011-12 is the current base rate to measure India's GDP.

WHAT IS IIP?

- IIP stands for Index of Industrial Production for India. It is used to measure the growth of various sectors in an economy. It measures short terms changes in the production within a period of time

- It is compiled and published monthly by the Central Statistical Office (CSO) six weeks after the reference month ends. The current base year is 2011-2012

WHAT IS THE BASE YEAR?

- Base year is the year against which the performance of an index is measured. For example, suppose the base year is 2010 and the initial value of an index is 100. If the index is 150 in 2019, it means that the value of the index is 50% higher in 2019 than it was in 2010. It is also called the reference year.

STATE BANK OF INDIA WRITE OFF BAD LOANS

- State Bank of India, Country's largest lender, has written off bad loans worth Rs 20, 3309 crores in the financial year 2016 -2017.
- SBI is the one with highest among all the public sector banks which has a collective write off the bad debt of Rs 81, 683 crores in the fiscal year 2016 -2017.
- This bad debt of Rs 20, 339 crores are only of the State bank of India and not from the associated merged banks.

In last five year, this year's bad debt is jumped almost three times.

AMENDMENTS TO SMALL SAVING ACT

- To remove the existing number of rules and regulations in small saving schemes, the Indian government has merged three acts which are Government Savings Certificates Act, 1959, Public Provident Fund Act, 1968 and the Government Savings Banks Act, 1873.
- The new act will subsume all provisions of Government Savings Certificates (NSC) Act, 1959 and the Public Provident Fund Act, 1968 in the new amended act without compromise in any of the functional provision of the existing act.
- The reason behind this is to make easy implementation to depositors and no need to understand all rules of the different act. This new act gives flexibility to depositors along with new benefits.
- The amendment will retain all existing protections while consolidating PPF Act under the proposed Government Savings Promotion Act.
- The aim of this amendment is "Minimum Government, Maximum Governance".

BANK OF BARODA TO SHUT DOWN ITS OPERATIONS IN SOUTH AFRICA

- Bank of Baroda has announced to exit its operations in South Africa by the end of March.

- Bank of Baroda has started its operation in South Africa 21 years ago and from the last many years the business of BOB is not very significant and its continuation has not much effect on the company's annual sheet.

RESERVE BANK OF INDIA HAS MADE CHANGES IN QUALIFICATION CRITERIA OF SME.

- Reserve bank of India has made changes in qualification criteria of bank's priority sector norms.
- RBI directed to all banks that from now all loans to small and medium enterprises will be qualified under priority sector lending.
- Banks are demanding for a long time.
- The target to give a loan to small and medium enterprises by public sector banks is 7.50% and by foreign banks, it is 8%.

YES BANK HAS LISTED 600 MILLION MTN BOND

- Yes Bank, India's fifth largest private sector bank, has listed \$600 million bonds issued under its first \$1 billion MTN programme, on Global Securities Market (GSM) of India INX.
- The bank will use gains from this bond to fund the bank's IFSC Banking Unit (IBU) in Gift City and extend IBU's rapidly growing business opportunities.
- Yes, Bank's MTN (medium term note) bonds issuance has got an overwhelming response from foreign investors.
- India INX is the country's first international exchange which is located at International Financial Services Centre, GIFT City at Gandhinagar in Gujarat.
- The bond is also listed on London Stock Exchange International Securities Market (LSE ISM) and Singapore Exchange Securities Trading Limited (SGX).

IPPB STATED TO ENABLE DIGITAL PAYMENTS IN POST OFFICES

- The India post payments bank has declared that it will start digital payments in post offices by the end of April 2018 as scheduled earlier.
- IPPB will provide digital payment services to the clients at the doorstep with the staff of Postmen and Gramin Dak Sewaks (GDS).
- It will also allow more than 17 crore active account-holders of Post Office Savings Bank to make digital payments which include the benefit of NEFT, RTGS, UPI and bill payment services.

- It will also facilitate acceptance of digital payments across post offices in the country in line with the digital payments initiative taken by the Union Government.

RESERVE BANK OF INDIA DIRECTS ALL BANKS TO ACCEPT DENOMINATION COINS FROM PUBLIC

- The Reserve bank of India has issued a notification by saying that objection of service which causes inconvenience to the general public at large as merchants and traders refuse to accept coins for payment of goods and services.
- The branches to accept coins of all denominations offered at their counters either for transaction or for deposit in accounts
- RBI has also directed all banks to accept coins, particularly in one and two rupee denominations by weightiest or sachets of 100 coins each.

SMALL FINANCE BANKS AND PAYMENT BANKS TO OFFER ATAL PENSION YOJANA.

- The Union Finance Ministry has relaxed norms of Atal Pension Yojana to enable small finance banks and Payment banks to offer APY distribution.
- This will help to expand, to cover and to extend the current channel of APY distribution.
- Currently, 233 Banks and Department of Post are included to implement the scheme.
- By relaxing the norms, 11 Payment Banks and 10 Small Finance Banks (SFBs) are qualified to offer APY distribution.

CRISIDEX, INDIA'S FIRST SENTIMENT INDEX FOR MICRO AND SMALL ENTERPRISES (MSES)

- CRISIL-SIDBI MSE Sentiment Index is launched by Finance minister, Mr Arun Jaitley launched.
- It is India's first sentiment index for micro and small enterprises developed collectively by CRISIL & Small Industries Development Bank of India
- It is based on 8 parameters which will help to show the current state and expected opportunity on the MSME sector quarterly.
- It ranks MSE business sentiment on a scale of 0 (extremely negative) to 200 (extremely positive).
- CriSidEx have 2 indices, one for 'survey quarter' and second for 'next quarter'.

INDIAN OVERSEAS BANK RECEIVES RS173 CR CAPITAL INFUSION FROM CENTRAL GOVERNMENT

- In the 2017-18 fiscal, Indian Overseas Bank (IOB) has got Rs173.06 crore capital infusion from the government.
- This capital is given in the preferential allotment of equity shares of the bank as a part of government's stake during the financial year 2017-18.

AXIS BANK LAUNCHES 4TH EDITION OF "EVOLVE".

- Axis bank has launched the 4th edition of 'Evolve' in Coimbatore, Tamil Nadu for its Small and Medium Enterprises clients, was first started in the year 2014.
- The theme of this version is "Transform your Family Business into your dream company".
- This is sprayed in 30 cities which include Nagpur, Surat, Rajkot, Pune, Vishakhapatnam, Trichy, Kanpur, Ludhiana and Jamshedpur.
- The main aim is to provide SMEs with new-age approaches, case-studies, operational know-how, supervisory and governmental activities.

SIX BI-MONTHLY MONETARY POLICY RELEASED BY RESERVE BANK OF INDIA

- In the 6th Bi-Monthly Monetary Policy, The Monetary Policy Committee (MPC)'s has appraised the current and evolving macroeconomic situation.
- The committee has decided to keep the policy repo rate, the reserve repo rate and the Marginal Standing Facility (MSF) rate remains same.
- Repo rate: 6.0%
- Reserve repo rate 5.75 %
- The marginal standing facility (MSF) rate and the Bank Rate at 6.25 %
- For the year 2017 -18, GVA growth is projected at 6.6 %
- For the year 2018 -19, GVA growth is projected at 7.2 %

RBI WILL LINK THE BASE RATE FOR LOANS

- From the 1st April 2018, RBI will connect the base rate for loans given by banks with the marginal cost of funds based lending rate.
- This will improve monetary policy transmission by narrowing the gap between base rate and MCLR.
- This will benefit borrowers who will use base rate for a loan.

- The Marginal Cost of Funds based Lending Rates (MCLR) system was introduced on April 1, 2016, to solve the problems of the Base Rate Regime.

INDUSIND BANK LAUNCHED ITS NEW MUSICAL LOGO NAMED SONIC IDENTITY

- IndusInd Bank has launched a new musical logo, Sonic Identity which is used to develop the brand.
- This will help to strengthen bank's brand image with the strategic use of music and sound for brand experiences and to connect public.
- This logo will show bank's core values of innovation, change, courage and dynamism as well as its strong desire to put customers first.
- The musical logo is also known as the MOGO (short for musical LOGO). The MOGO is a short, 4 note pieces of 2-3 seconds surrounding.
- The sonic identity will be used to attract customers and stakeholders across all platforms like ATMs, net banking, mobile apps, TV, radio, social media and on-ground activation.

RBI ANNOUNCED TO SET UP AN OMBUDSMAN IN NBFCs ALSO

- RBI has decided to introduce an ombudsman to solve the customer grievances in the non-banking finance companies.
- The ombudsman mechanism will exercise control over the companies in a phased manner, beginning with deposit-taking NBFCs, and at a next stage, it will include all NBFCs which have an asset size of Rs 1 billion and above with customer interface.
- There are nearly 20 banking ombudsmen have been appointed with offices mostly in state capitals.
- One can register a complaint before the banking ombudsman if the reply is not obtained from the bank within one month after the bank involved has received one's complaint, or the bank denies the complaint, or if the complainant is not convinced with the reply given by the bank.

WHAT IS OMBUDSMAN?

- An ombudsman, ombud, or public advocate is an official who is charged with representing the interests of the public by investigating and addressing complaints of maladministration or a violation of rights. The ombudsman is usually appointed by the government or by parliament, but with a significant degree of independence.

BANKS TO ACCEPT ONLY ONLINE APPLICATIONS FOR EDUCATION LOAN

- The central government has ordered the banks to only take online applications for education loans in an attempt to make the loan payment process transparent and efficient.
- The banks have also been asked to not grant any application received in physical form.

PNB SIGNS PACT WITH NATIONAL E-GOVERNANCE SERVICES

- Punjab National Bank has signed an agreement for information utility with National e-Governance Services Limited.
- The objective of the agreement is to augment the information infrastructure in India.
- The agreement will enable storing of financial information that will help substantiate defaults and verify claims.
- This will, in turn, facilitate resolution in the National Company Law Tribunal in a time bound manner.
- J.K.Gupta, General Manager, Recovery Division, Head Office of the bank, signed the agreement on behalf of PNB and S. Raghunathan, Executive Director, signed on behalf of NeSL.

ABOUT NATIONAL E-GOVERNANCE PLAN

- The National e-Governance Plan (NeGP) is an initiative of the Government of India to make all government services available to the citizens of India via electronic media.
- NeGP was formulated by the Department of Electronics and Information Technology (Deity) and Department of Administrative Reforms and Public Grievances (DARPG).
- The Government approved the National e-Governance Plan, consisting of 27 "Mission Mode Projects" (MMPs) and Ten components, on 18 May 2006.
- It is headquartered in New Delhi and aims to take forward the Digital India initiative of the Modi government.
- Sustained efforts have been made at multiple levels to improve the delivery of public services and simplify the process of accessing them.
- e-Governance in India has steadily evolved from computerization of Government Departments to initiatives that encapsulate the finer points of Governance, such as citizen centricity, service orientation and transparency.

INDIA AND WORLD BANK SIGN \$100 MILLION PROJECT TO BOOST ECONOMY OF TN

- The government and the World Bank signed a \$100 million loan agreement to support producer organisations and enterprises, especially women entrepreneurs in Tamil Nadu.
- This would promote rural enterprises, facilitate their access to finance, and create employment opportunities for youth, particularly women, in selected blocks of Tamil Nadu across 26 districts, directly benefitting over 400,000 people.

HIGHLIGHTS

- The Tamil Nadu Rural Transformation Project will create an enabling environment for producer organisations and enterprises to promote businesses across the select value chains.
- Based on the analysis, communities will identify commodities and subsectors in the value chain for preparing business plans.
- 30 percent of the financing for these business plans will be through a matching grant programme from the project and the remaining 70 percent will be leveraged from other financial institutions.
- It will effectively support eligible households from socially and culturally disadvantaged groups which harness their existing assets, skills, and resources and which break their entry barriers to value-added economic activities.
- It would also help in enhancing their ability to access finance, markets, technology, and related support services.
- Not only this, it would help them graduate to value-added economic activities with higher returns such as garment manufacturing and food processing units, eco-tourism ventures, and businesses around creative industries.

IMPLEMENTATION OF THE PROJECT

- The Project will be operational in 120 blocks across 3,994 villages in 26 Districts of Tamil Nadu with 411,620 direct beneficiaries. It will work with targeted households that are already part of Self-Help Groups (SHGs).
- The project will be rolled out in a phased manner – 26 blocks will be taken up for implementation in all project districts in the first eight months, followed by 52 blocks by the end of 12 months, and the remaining 42 blocks by the end of 18 months from initiation of project implementation.
- A new platform has been developed known as the Tamil Nadu Rural Transformation Marketplace under which selected innovations and start-up ideas will be tested or scaled up.

GOVERNMENT SIGNS \$250 MILLION LOAN AGREEMENT WITH ADB

- The Asian Development Bank (ADB) and the Indian Government have signed a 250 million dollar loan to finance the construction of over 6 thousand 2 hundred kilometres all-weather rural roads in 5 states of India.
- Government Signs \$250 Million Loan Agreement with ADB
- These 5 states include Assam, Chhattisgarh, Madhya Pradesh, Odisha and West Bengal.
- This move has been taken under the Pradhan Mantri Gram Sadak Yojana (PMGSY).
- The Joint Secretary in the Department of Economic Affairs in the Government's Ministry of Finance, Mr Sameer Kumar signed the loan agreement on behalf of Government of India.

AIM OF THE PROGRAMME

- The basic objective of the programme is to improve rural connectivity, to facilitate safer and a more effective access to livelihood, to provide socio-economic opportunities for rural communities by improving about 12,000 km rural roads across these five states.

OTHER FACTS

- The First Tranche Loan is part of the \$500 million Second Rural Connectivity Investment Program for India which was approved by the ADB Board in December 2017.
- The ADB-funded investment program will provide continued assistance to the PMGSY and support the Government's long-term goal for rural development.
- The programme is likely to have a transformative impact in terms of rural economy and would also bring in greater efficiency in terms of access and connectivity for the rural people in the five States.
- Under the project, about 2,000 technical personnel would be imparted training on road safety and maintenance.
- It will support the Government's drive for innovative approaches to reduce costs, conserve non-renewable natural resources, and promote the use of waste materials in rural road construction.
- As far as the climatic conditions are concerned, the road designs will take into account these climate risks with measures such as greater elevation of road embankments, slope protection, and better drainage in flood-prone areas.
- Women were extensively consulted during the project design and will gain some key benefits, including improved access to healthcare, livelihoods, and schooling.

BISWAMOHAN MAHAPATRA APPOINTED AS NON-EXECUTIVE CHAIRMAN OF NPCI

- The National Payments Corporation of India (NPCI) has appointed Biswamohan Mahapatra as Non-Executive Chairman for a period of two years with effect from 8th February 2018.
- He succeeds B Sambamurthy who was the interim chairman.
- Last month NPCI had appointed Dilip Asbe as its managing director and CEO.

NPCI (NATIONAL PAYMENTS CORPORATION OF INDIA)

- The National Payments Corporation of India is the umbrella organization for all retail payment systems in India, which aims to allow all Indian citizens to have unrestricted access to e-payment services.
- It was founded in 2008 and is owned by a consortium of major banks.
- It has its headquarters in Mumbai, Maharashtra.
- NPCI is a not-for-profit organization registered under section 8 of the Companies Act 2013.
- It was set up as the central infrastructure for various retail payment systems in India and was envisaged by the Reserve Bank of India (RBI) as the payment utility in the country.
- From a single service of switching of interbank ATM transactions through National Financial Service, the range of services has grown to Cheque Truncation System, National Automated Clearing House (NACH), Aadhaar Enabled Payment System (AePS), USSD based *99#, RuPay card, Immediate Payment Service (IMPS), Unified Payments Interface (UPI), Bharat Interface for Money (BHIM), BHIM Aadhaar, National Electronic Toll Collection (NETC) and Bharat Bill Pay.
- Presently, there are ten core promoter banks (State Bank of India, Punjab National Bank, Canara Bank, Bank of Baroda, Union Bank of India, Bank of India, ICICI Bank, HDFC Bank, Citibank and HSBC).

INTEREST RATE SWAPS

- An Interest Rate Swap is a contractual agreement between two parties who agree to exchange the future interest rate payments that they make on loans or bonds. The two parties are banks, businesses, hedge funds or investors.
- The two common Interest Rate Swap is Fixed Interest Rate Swap and Floating Interest Rate Swap. The Fixed Interest Rate Swap means where one party 'A' will make payments to the other party 'B' based on an initially agreed initially of interest, to receive back payments based on a floating interest rate index. The Floating Rate is a reference rate that is London Interbank Offered Rate or LIBOR.

FOR EXAMPLE

- Shyam owns a \$200000 investment that pays him LIBOR + 1% every month. As LIBOR goes up and down so the payment Shyam receives changes. Now, suppose Gaurav owns a \$200000 investment that pays him 1.5% every month. The payment he receives never changes. Now, Shyam decides that he would rather lock in a constant payment and Gaurav decides that he would rather take a chance on receiving higher payments. So, Shyam and Gaurav agree to enter into an Interest rate Swap contract.

ADVANTAGES OF INTEREST-RATE SWAPS:

- An Interest Rate Swap helps companies to hedge against interest rate subjectivity by minimising the uncertainty of future cash flows.
- An Interest Rate Swap allows companies to revise their debt conditions to take advantage of current or expected future market conditions.
- An Interest Rate Swaps are used as financial tools to lower the amount needed to service a debt.
- Interest Rate Swaps allow companies to take advantage of the global markets more efficiently by bringing together two parties that have an advantage in different markets.
- Interest Rate Swap agreement can reduce uncertainty. If a company has a floating rate loan, they may not know what sort of interest rate payments they will be paying throughout the duration of that loan. The floating rate could increase or decrease and it could devastate the finances of the company. In order to annihilate uncertainty, the company could enter into an interest rate swap agreement with a bank that allows the company to make fixed payments instead of variable payments.
- An Interest Rate Swap can also minimise the cost of a loan. A company may be able to enter into an interest rate swap that allows it to pay a lower fixed interest rate to a swap trader than it would have had to pay for a fixed interest rate with a lender.
- An Interest Rate Swap has more transparent pricing and has no credit risk since the exchange stands in between the counterparties.
- An Interest Rate Swap obtains a lower cost of funding.
- Swapping allow issuers to re-examine their debt profile so that advantage of current or expected future market conditions can be taken.
- If interest rate decline, Swapping from fixed to floating rate may save the issuer money.
- Interest Rate Swaps are a financial tool that has a perspective to help issuers lower the amount of debt service.

HOW TO INVEST IN INTEREST RATES SWAPS?

Interest Rate Swaps has become an prominent tool for many types of investors, as well as corporate treasurers, risk managers and banks because they have ample of potential uses.

- ❖ **Portfolio Management:** Through Interest Rate Swaps the portfolio managers can regulate interest rate exposure and counterbalance the risks caused by interest rate volatility. The long-dated interest rate swaps can increase the duration of a portfolio and makes them an effective tool in Liability Driven Investing.
- ❖ **Speculation:** The Interest Rate Swaps require a little capital upfront, they give fixed-income traders a way to speculate on movements in interest rates while possibly avoiding the cost of long and short positions in Treasuries.
- ❖ **Risk Management:** Banks and financial institutions are involved in a tremendous number of transactions which involve loans, derivatives contracts and other investments. The bulk of fixed and floating interest rate exposures typically cancel each other out, but any remaining interest rate risk can be counterbalance with interest rate swaps.
- ❖ **Rate-locks on bond issuance:** When corporations or organizations decide to issue fixed-rate bonds, they usually lock in the current interest rate by entering into swap contracts that give the time to go out and find investors for the bonds. Once they actually sell the bonds, they exit the swap contracts.

WHAT ARE THE RISKS:

- Interest-Rate Swaps involve two primary risks: Interest rate risk and Credit risk which is also known in the swaps market as counterparty risk. Actual interest rate movements do not always match expectations, swaps need interest-rate risk. A receiver (the counterparty receiving a fixed-rate payment stream) profits if interest rates fall and loses if interest rates rise. Contrary, the payer (the counterparty paying fixed) profits if rates rise and lose if rates fall.
- Swaps are also subject to the counterparty's credit risk, the chance that the other party in the contract will default on its responsibility. This risk has been partially reduced since the financial crises, with a large portion of swap contracts now clearing through central counterparties (CCPs).

PART - B

BANKING AND FINANCIAL CURRENT AFFAIRS ONE LINERS:

- RBI Sets Up Committee Under YH Malegam to Monitor Bad Loans.
- Asian Development Bank And India Sign \$84 Million Loan For Water Supply In Bihar
- Aditya Birla Idea Payments Bank Starts Operations.
- RBI Launches Ombudsman Scheme For NBFCs.

- Capital First Gets NHB Nod For Merger With IDFC Bank.
- Fitch Places PNB On 'Rating Watch Negative' With Downgrade Possibility.
- PNB Arm, IFC Tie Up To Raise \$800 Mn For Affordable Housing.
- NABARD Launches Rs 1,918 Crore Area Development Plan For Punjab.
- Manohar Parrikar Presents Rs 17,123-Crore Goa Budget.
- EPFO Cuts Interest Rate To 8.55% For 2017-18.
- UP Budget 2018: UP Government Presents Rs 4.28 Trillion Budget.
- PNB signs Pact with National e-Governance Services.
- Bank of Baroda to Exit South Africa by March-End.
- Government Inks \$100 Million Loan Agreement with NDB for Rajasthan Water Project.
- Yes Bank Lists Country's First \$600m MTN Bond On IndiaINX.
- RBI Rolls Out New Stressed Assets Framework to Tackle Bad Loan Problem.
- RBI Relaxes Priority Sector Lending Rule for Banks.
- SBI Wrote Off Bad Loans Worth Over Rs 20,000 Crore Last Fiscal.
- The Union Minister for Finance and Corporate Affairs, Shri Arun Jaitley launched CriSidEx, India's first sentiment index for micro and small enterprises (MSEs).
- 6th Bi-monthly Monetary Policy Statement released by RBI
- The repo rate was kept unchanged at 6 percent.
- The reverse repo rate under the LAF (liquidity adjustment facility) remains at 5.75 percent, and the marginal standing facility (MSF) rate and the bank rate at 6.25 percent.
- RBI to Set up Ombudsman for NBFCs.
- RBI: Base Rate to be Linked with MCLR.
- IndusInd Bank Launches New Sonic Identity, A Musical Logo.
- Small Finance Banks and Payment Banks to offer Atal Pension Yojana.
- Mr Arun Jaitley launched CriSidEx, India's first sentiment index for micro and small enterprises (MEs) developed jointly by CRISIL & SIDBI.
- Paytm, Alibaba's AGTech Holdings Launch New Mobile Gaming Platform.
- IOB Receives Rs173 Cr Capital Infusion from Government.
- Axis Bank Launches 4th Edition of "Evolve".
- CRISIL Upgrades Outlook On 18 PSBs from Negative to Stable.
- SBI Provide credit cards to farmers.

PART C

50 IMPORTANT BANKING TERMS FOR INTERVIEW

1. REPO RATE

- When RBI provides a loan to the bank for short-term between 1 to 90, RBI takes some interest from the bank which is termed as Repo Rate.

2. REVERSE REPO RATE

- When bank deposit its excess money in RBI then RBI provides some interest to that bank. This interest is known as Reverse Repo Rate.

3. SLR –(STATUTORY LIQUIDITY RATIO)

- Every bank has to maintain a certain % of their total deposits in the form of (Gold + Cash + bonds + Securities) with themselves at the end of every business days. Current SLR is 20.75%.

4. RETAIL BANKING

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

5. BITCOIN

- Bitcoin is a virtual currency/ cryptocurrency and a payment system.
- It can be defined as decentralized means of tracking and assigning wealth or economy, it is a software protocol.
- Bitcoin uses two cryptographic keys, one public (username) and one private (password) are generated.
- 1Bitcoin= 108 Satoshi.

6. CALL MONEY

- Call/Notice money is the money borrowed on demand for a very short period. When money is lent for a day it is known as Call Money.

7. NOTICE MONEY

- When the money is borrowed or lent for more than a day up to 14 days it is called Notice Money.

8. DIFFERENCE BETWEEN CAPITAL MARKET AND MONEY MARKET

- A capital market is an organised market which provides long-term finance for business.
- Whereas Money market provides short-term finance for business

9. SCHEDULED BANK

- Banks which are included in 2nd Schedule of RBI Act 1934 are known as a scheduled commercial bank. These banks should fulfil two conditions:
- Paid up capital and collected funds should not be less than Rs.5 Lacs.
- Any activity of the Bank should not adversely affect the interests of the customers.

10. NON PERFORMING ASSETS

- NPA is an asset of a bank which is not producing any income.
- Bank Usually classify as nonperforming assets any commercial loans which are more than 90 days overdue and any consumer loans which are more than 180 days overdue.

11. MONEY INFLATION

- Money Inflation is a State in which the Value of Money is Falling and the Prices are rising, over a period of time.

12. NEGATIVE INTEREST RATE

- When there is less demand for loans the banks park their excess fund with the central bank by which they get an interest.
- Negative interest rate policy (NIRP) means that central banks will deduct money from commercial banks for depositing their money with the central bank. Commercial banks, in turn, will do the same to common people.
- So the end effect is that people will have to pay money to banks to hold their cash.

13. GREEN BANKING

- Green banking means promoting environmentally friendly practices and reducing your carbon footprints from your banking activities.
- Green banking aims at improving the operations and technology along with making the clients habits environment-friendly in the banking business.
- It is like normal banking along with the consideration for social as well as environmental factors for protecting the environment.

14. BLOCKCHAIN SYSTEM

- These days the transactions in the banking sector are becoming a very tedious task and so as to ensure that this tedious task to be removed, our banking sector is trying to emerge towards blockchain technology.
- To simplify the transactions without the help of any third party in a secure manner is really a great challenge, but to overcome this challenge an anonymous online ledger (collection of financial accounts) which uses the data structure to simplify it is called blockchain technology.

15. BALLOON MORTGAGE

- A mortgage is a transfer of a right to stable property for the security purpose of a loan amount.
- Balloon mortgages are just for short term and it has fixed rate mortgage.
- In balloon mortgage, a monthly payment is lower because of large payment at the end of a term.
- A balloon payment is for the honest and qualified borrowers who have the good credit history.

16. RETAIL CREDIT OPERATIONS

- Retail Credit Operations means the sequential process which involves screening, evaluation of risk(s), and ensuring that the bank lends to a creditworthy client from the asset products applications sourced.

17. SKIMMING

- Skimming is a method used by fraudsters to capture customer's personal or account information of credit card.
- Customer's card is swiped through the skimmer and the information contained in the magnetic strip on the card is then read into and stored on the skimmer or an attached computer.
- Skimming is a tactic used predominantly for credit-card fraud, but it is also a tactic that is gaining in popularity among identity thieves.

18. MONEY LAUNDERING

- Money laundering is a process of conversion of illegal money from various sources to appear to have originated from legitimated (Legal) source.
- The major sources of illegal money are tax evasion, bribe, Smuggling etc.

19. CHEQUE

- Cheque is an unconditional order addressed to a banker, signed by the person who has deposited money with a banker, requesting him to pay on demand a certain sum of money only to the order of the certain person or to the bearer of the instrument.

20. DIRECT DEBIT

- Direct Debit is a financial activity in which one person withdraws funds from another person's bank account.
- It is a facility in which the payee withdraws the amount from the payer's account, the payer has instructed the bank to allow the payee directly withdraw the amount from the account.

21. CASH CREDIT

- Cash Credit is a proper limit sanctioned by the bank to the borrowing manufacturing/trading unit against the value of the raw materials, semi-finished goods and finished goods including stores.

22. BILL OF EXCHANGE

- A bill of exchange is a non- interest bearing written order which is used primarily in foreign trade which binds one party to pay a fixed amount of money to another party at a decided future date.
- A bill of exchange is signed by the creditor and accepted by a debtor.

23. CASH RESERVES RATIO

- Every bank Maintain certain % of their total deposits with RBI in the form of Cash and Net demand & Time Liabilities.
- Current CRR is 4%. Every Bank has to pay the amount to RBI on every 15 Days.

24. BANK RATE

- Bank rate is also termed as "Discount Rate"
- The rate through which RBI charges certain % for providing money to other banks without any security for a Long period of time for 90 Days & Current Bank Rate is 6.75%.

25. MARGINAL STANDING FACILITY

- MSF is the rate through which bank can borrow funds for Short time – Overnight basis.
- Current MSF is 6.75%.

26. MINIMUM RESERVE SYSTEM OF RBI

- The current system of the 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 crores.
- Out this reserve, the value of gold to be maintained is rupees 115 crores.
- This system was introduced in 1956 replacing the proportional reserve system.

27. CLEAN NOTE POLICY OF RBI

- Lots of people in our country have a bad habit of writing something on the currency note, folding currency note, also somebody staple it which spoils the Note and reduces notes durability.

- So to avoid such occurrences RBI introduced the Clean Note Policy in 2001 in an order to increase the life of currency notes.
- The main objective of this Clean Note Policy is to provide good quality currency notes and coins to the citizens of our country.

28. CAMELS RATING SYSTEM

- CAMELS is a rating system developed in the US that is used by supervisory authorities to rate banks and other financial institutions.
- It applies to every bank in the U.S and is also used by various financial institutions outside the U.S.
- Each factor is assigned a weight as follows:
 - Capital adequacy 20 %
 - Asset quality 20%
 - Management 25%
 - Earnings 15%
 - Liquidity 10%
 - Sensitivity 10%

29. MASALA BONDS

- The bonds listed on the London Stock Exchange (LSE) is termed as Masala Bonds.
- These bonds are offered and settled in US dollar to hike Indian Rupee in International market .
- These bonds help to raise Indian rupees from International investors for infrastructural development in India.
- International Financial Corporation (IFC) converts bond from dollars into rupees and uses the rupees to finance private sector investment in India.

30. CORE BANKING SOLUTIONS

- Core Banking Solution (CBS) is networking of branches, which enables customers to operate their accounts, and avail banking services from any branch of the Bank on CBS network, regardless of where he maintains his account.
- The customer is no more the customer of a Branch.
- He becomes the Bank's Customer.

31. UNIFIED PAYMENT INTERFACE

- This interface will integrate the entire payment systems in India.
- It uses a single application Programme interface with a series of Application Programme interface (API'S).
- The mobile devices are the primary object for all the payments.

32. MICRO ATM S

- Micro ATMs are not any special type of ATMs
- It is the advanced version of Point of Sale (PoS) having an additional feature of Biometric scanning.
- It is also known as a mini version of ATMs.
- These machines are connected with the GPRS (General Packet Radio Service) mobile internet and it uses Core Banking Solution (CBS) platform to perform the different types of services.

33. LETTER OF CREDIT

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

34. BANCASSURANCE

- Bancassurance is the concept of selling insurance products of insurance companies by banks.
- The bank acts as an agent and promotes Banca (bancassurance) products under section 6(1)(o) of the Banking Regulation Act, 1949.
- It was originated in Europe in the 1980s and was successful.
- The bancassurance business model is a globally accepted profitable business.

35. BANKING OMBUDSMEN

- Banking Ombudsman is a senior official appointed by RBI.

- He handles and redresses customer complaints against deficiency in certain banking services.
- The Banking Ombudsman Scheme was introduced under Section 35 A of the Banking Regulation Act, 1949 by RBI with effect from 1995.

36. 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.

37. A BALANCE OF PAYMENTS

- 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.

38. NOSTRO ACCOUNT

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

39. VOSTRO ACCOUNT

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

40. 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.

41. 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.

42. CASA ACCOUNT

- 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 savings account deposits in the total deposit.
- A higher CASA ratio means the better operating efficiency of the bank.

43. RAFA ACCOUNT

- 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.

44. 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.

45. LEGAL TENDER

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

46. 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.

47. INSOLVENCY

- An organization, a family, person, or company is declared as insolvent when they are unable to pay their debts back on time.
- One of the most common solutions for insolvency is bankruptcy.

48. BANKRUPTCY

- Bankruptcy is a legal declaration of person who is unable to pay off debts.
- In generally, Bankruptcy is of two types- Reorganization and Liquidation bankruptcy.
- Under the bankruptcy of reorganization, debtors should restructure their bill plans to make them more easily met.
- Whereas under liquidation bankruptcy, Debtors has to sell their assets to make money so that they can pay off their creditors.

49. AMORTISATION

- Amortization is a periodic payment of a debt like a loan or a mortgage.
- Amortization is the arrangement of a lump sum cash flow into many periodic instalments over a span of time, which is also called amortization agenda.

50. CREDIT CRUNCH

- A credit crunch is also known as a Credit squeeze or credit crisis.
- A credit crunch is a condition in which there is an immediate decline in the availability of a loan or the credit.
- A situation in which suddenly the credit becomes difficult to get.
- Sometimes it can be done by reverse actions like by strict rules and regulations to avail the fund from the financial institutions like banks, NBFCs, and many other lenders.