



ACE BANKING & STATIC AWARENESS

A Complete Guide on General Awareness
for Banking & Insurance Examinations

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- Financial/Banking Concepts
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Banking Awareness

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- Banking can be defined as the activity of accepting deposits from the general public & the entities, and then lending that money to earn profits.
- But now banking not only includes deposits and loans but also includes providing services like issuance of debit and credit cards, providing safe custody of valuable items, lockers, ATM services and online transfer of funds across the country / world.
- Bank is a financial institution that performs the banking activity ie.it accepts deposits and lending of funds to earn profits.
- Any company, which transacts the business of banking defined above is termed as Banking company

Introduction

- As per the Reserve Bank of India (RBI), India's banking sector is sufficiently capitalised and well-regulated.
- The Indian banking industry has recently witnessed the roll out of innovative banking models like payments and small finance banks. RBI's new measures may go a long way in helping the restructuring of the domestic banking industry.
- The digital payments system in India has evolved the most among 54 countries with India's Immediate Payment Service (IMPS) being the only system at level 5 in the Faster Payments Innovation Index (FPII).

Market Size

- Public-sector banks control more than 70 percent of the banking system assets, thereby leaving a comparatively smaller share for its private peers. Banks are also encouraging their customers to manage their finances using mobile phones.
- As the Reserve Bank of India (RBI) allows more features such as unlimited fund transfers between wallets and bank accounts, mobile wallets are expected to become strong players in the financial ecosystem.

History of Banking Sector in India

- The first bank of a joint stock variety was Bank of Bombay, established in 1720 in Bombay. This was followed by the Bank of Hindustan in Calcutta, which was established in 1770 by an agency house.
- The General Bank of Bengal and Bihar, which came into existence in 1773, after a proposal by Governor (later Governor General) Warren Hastings, proved to be a short-lived experiment.
- The first 'Presidency bank' was the Bank of Bengal established in Calcutta on June 2, 1806 with a capital of Rs.50 lakh. The bank was given powers to issue notes in 1823.
- Bank of Bombay was the second Presidency bank set up in 1840 with a capital of Rs.52 lakh, and the Bank of Madras the third Presidency bank established in July 1843 with a capital of Rs.30 lakh.
- With the collapse of the Bank of Bombay, the New Bank of Bombay was established in January 1868.
- The Presidency Bank Act, which came into existence in 1876, brought the three Presidency banks under a common statute and imposed some restrictions on their business.
- The first Indian owned bank was the Allahabad Bank set up in Allahabad in 1865, the second, Punjab National Bank was set up in 1895 in Lahore, and the third, Bank of India was set up in 1906 in Mumbai. All these banks were founded under private ownership.
- The Swadeshi Movement of 1906 provided a great impetus to joint stock banks of Indian ownership and many more Indian commercial banks such as the Central Bank of India, Bank of Baroda, Canara Bank, Indian Bank, and Bank of Mysore were established between 1906 and 1913.
- The late Shri Vithal L Kavthekar pioneered the urban co-operative credit movement in the year 1889 in the then princely State of Baroda.
- The first registered urban co-operative credit society was the Conjeevaram Urban Co-operative Bank, organised in Conjeevaram, in the then Madras Presidency in October 1904

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Note: They were known as Presidency banks as they were set up in the three Presidencies that were the units of administrative jurisdiction in the country for the East India Company. The Presidency banks were governed by Royal Charters. The Presidency banks issued currency notes until the enactment of the Paper Currency Act, 1861, when this right to issue currency notes by the Presidency banks was abolished and that function was entrusted to the Government.

- The presidency banks were amalgamated into a single bank, the Imperial Bank of India, in 1921. It also functioned as a central bank prior to the establishment of the RBI. The Imperial Bank of India performed three sets of functions, viz., commercial banking, central banking and the banker to the government.
- By 1930, the number of commercial banks increased to 107 with the Imperial Bank of India still dominating the Indian banking sector.
- Indian Central Banking Enquiry Committee was set up in 1929 to survey extensively the problems of Indian banking, and observed that a central bank be established for the country.
- Reserve Bank of India Act 1934 was enacted paving the way for the setting up of the Reserve Bank of India. The issue of bank failures and the need for catering to the requirements of agriculture were the two prime reasons for the establishment of the Reserve Bank. The banking sector came under the purview of the Reserve Bank in 1935.
- The Government, therefore, first implemented the exercise of nationalisation of the Imperial Bank of India with the objective of “extension of banking facilities on a large scale, more particularly in the rural and semi-urban areas, and for diverse other public purposes”. The Imperial Bank of India was converted into the State Bank of India in 1955 with the enactment of the State Bank of India Act, 1955.

Exercise

- Public-sector banks control more than ____ per cent of the banking system assets.
(a) 70 per cent (b) 100 per cent (c) 80 per cent
(d) 60 per cent (e) 50 per cent
- Name of the first bank of a joint stock variety was Bank of Bombay, The bank was established in which year?
(a) 1840 in Surat
(b) 1733 in madras
(c) 1720 in Bombay
(d) 1725 in Calcutta
(e) 1798 in allahabad
- Bank of Hindustan was established in which city?
(a) Surat (b) Bombay (c) Delhi
(d) madras (e) Calcutta
- Bank of Bengal (Bank of Calcutta) was established in which year?
(a) 1806 (b) 1935 (c) 1845
(d) 1877 (e) 1884
- Bank of Hindustan was established in which year?
(a) 1907 (b) 1919 (c) 1772
(d) 1775 (e) 1770
- Which was the first presidency bank of India?
(a) United Western Bank (b) Bank of Bengal
(c) Bank of Rajasthan
(d) Bank of India (e) None of these
- Bank of Bengal was established with a capital of
(a) Rs. 50 lakhs (b) Rs. 100 lakhs (c) Rs. 25 lakhs
(d) Rs. 30 lakhs (e) RS. 45 lakhs
- Name the second Presidency bank of India?
(a) Punjab & Sind Bank
(b) Bank of India
(c) Bank of Bombay
(d) Bank of Maharashtra
(e) Bank of Madras
- Bank of Bombay was the second Presidency bank set up in which year with a capital of Rs.52 lakh?
(a) 1840 (b) 1845 (c) 1835
(d) 1919 (e) 1935
- Which was the third presidency bank of India?
(a) Bank of Madras
(b) Bank of Bombay
(c) United Western Bank
(d) Bank of Bengal
(e) United Bank of India
- Bank of Madras was established in which year with a capital of Rs.30 lakh.
(a) 1840 (b) 1843 (c) 1885
(d) 1777 (e) 1770
- The Presidency Bank Act came into existence in which year that brought the three Presidency banks under a common statute and imposed some restrictions on their business?
(a) 1885 (b) 1777 (c) 1880
(d) 1770 (e) 1876
- The first Indian owned bank was the Allahabad Bank set up in Allahabad in which year?
(a) 1865 (b) 1777 (c) 1843
(d) 1876 (e) 1720

- 14.** Punjab National Bank was the second Indian owned bank set up in which year?
 (a) 1895 in Lahore
 (b) 1865 in Surat
 (c) 1777 in Madras
 (d) 1770 in Calcutta
 (e) 1885 Amritsar
- 15.** Bank of India was the third Indian owned bank set up in 1906 in which city?
 (a) Calcutta (b) Madras (c) Allahabad
 (d) Lucknow (e) Mumbai
- 16.** All three presidency banks were amalgamated into a single bank, the Imperial Bank of India, in which year?
 (a) 1945 (b) 1921 (c) 1919
 (d) 1935 (e) 1950
- 17.** The Imperial Bank of India was converted into the State Bank of India in which year?
 (a) 1982 (b) 1962 (c) 1956
 (d) 1990 (e) 1955
- 18.** In which year the Indian Central Banking Enquiry Committee was set up?
 (a) 1930 (b) 1935 (c) 1929
 (d) 1777 (e) 1876
- 19.** Which was the first registered urban co-operative credit society of India?
 (a) Anyonya Sahakari Mandali
 (b) Conjeevaram Urban Co-operative
 (c) Pioneer Urban
 (d) Kanakavli-Math Co-operative Credit Society
 (e) Bombay Urban Co-operative Credit Society
- 20.** The general Bank of Bengal and Bihar came into existence in which year?
 (a) 1773 (b) 1874 (c) 1934
 (d) 1770 (e) 1772

Solutions

- 1. (a):** Public sector banks control more than 70 percent of the banking system assets thereby the private sector's share is very low as compared to public sector banks.
- 2. (c):** The western variety of joint stock banking was brought to India by the English Agency houses of Calcutta and Bombay (now Kolkata and Mumbai). The first bank of a joint stock variety was Bank of Bombay, established in 1720 in Bombay.
- 3. (e):** The first bank of India is Bank of Hindustan established in 1770. This bank was established at Calcutta under European management. It was liquidated in 1830-32.
- 4. (a):** The Bank of Calcutta was launched on 2nd June, 1806 as a Regional Bank. Among its founders were East India Company, Some European Merchants and a few wealthy Indians.
- 5. (e):** Modern banking in India originated in the last decade of the 18th century. Among the first banks were the Bank of Hindustan, which was established in 1770 and liquidated in 1829-32; and the General Bank of India, established in 1786 but failed in 1791.
- 6. (b):** The first presidency bank was the Bank of Bengal established in Calcutta on June 2, 1806 with a capital of RS. 50 Lakh.
- 7. (a):** The Bank of Bengal established in Calcutta on June 2, 1806 with a capital of RS. 50 Lakh.
- 8. (c):** The bank of Bombay was the second presidency bank of India established in the year 1840 with capital Rs. 52 lakhs.
- 9. (a):** The bank of Bombay was the second presidency bank of India established in the year 1840.
- 10. (a):** The Bank of Madras was the third presidency bank of India established in the year July 1843 with a capital of Rs. 30 lakhs.
- 11. (b):** The Bank of Madras was the third presidency bank of India established in the year July 1843.
- 12. (e):** The Presidency Bank Act, came into existence in 1876, brought three Presidency banks under a common statute and imposed some restrictions on their business.
- 13. (a):** The bank was founded in Allahabad in 1865.
- 14. (a):** Punjab National Bank is a Banking and Financial service bank owned by Government of India. Its headquarter is in New Delhi, India. The bank was founded in 1894 and was established in Lahore.
- 15. (e):** Bank of India was founded on 7th September, 1906 by a group of eminent businessmen from Mumbai.
- 16. (b):** The Imperial Bank is owned by the shareholders of these three merged presidency banks. This bank represents a merger of the presidency banks of Bengal, Bombay, and Madras.

17. (e): On 1 July 1955, the Imperial Bank of India became the State Bank of India.

18. (c): Indian Central Banking Enquiry Committee was set up in 1929 to survey extensively the problems of Indian banking, and observed that a central bank be established for the country.

19. (b): The first urban cooperative credit society was registered in Canjeevaram (Kanjivaram) in the erstwhile Madras province in October, 1904. Amongst the prominent credit societies were the Pioneer Urban in Bombay (November 11, 1905),

20. (a): The bank came into existence in the year 1773



The different types of Banking are as follows:

- | | | |
|----------------------|--------------------|----------------------|
| 1. Para Banking | 2. Narrow Banking | 3. Offshore Banking |
| 4. Green banking | 5. Retail Banking | 6. Wholesale banking |
| 7. Universal Banking | 8. Islamic Banking | 9. Merchant Banking |

Para Banking

Banks can undertake certain eligible financial services i.e. the para-banking activities either departmentally or by setting up subsidiaries. The banks can form a subsidiary company for undertaking the types of business which a banking company is otherwise permitted to undertake, with prior approval of RBI.

Subsidiary Companies/Different Para-Banking Activities

Under the provisions of Section 19(1) of the Banking Regulation Act, 1949, banks may form subsidiary companies for undertaking types of banking business. Prior approval of the RBI should be taken by a bank, to set up a subsidiary company.

- Banks can form subsidiary companies for undertaking equipment leasing, hire purchase business and factoring services.
- Banks can also undertake equipment leasing, hire purchase and factoring services departmentally.
- Mutual Fund business.
- Credit Card and Smart/Debit Card Business.
- Money Market Mutual Funds (MMMFs): Banks can set up this after the approval from RBI.
- Entry of banks into Insurance business.
- Underwriting of Corporate Shares and Debentures.
- Underwriting of bonds of Public Sector Undertakings.
- RBI observed that some banks/their subsidiaries were providing buy-back facilities under the name of 'Safety Net' Schemes. Under such schemes, large exposures are assumed by way of commitments to buy the relative securities from the original investors at any time during a stipulated period at a price determined at the time of issue, irrespective of the prevailing market price.

Narrow Banking

- Narrow banks are safe banks. By not lending, and using their deposits to buy government bonds, they carry virtually no credit risk. There is no danger of non-performing loans and frequent injections of equity capital that has to be funded by taxpayers.
- Narrow Banking; i.e. the banks that place funds only in riskless securities. The main thinking that goes behind this is that since their investment is mainly in riskless securities they will not fail.
- The Tarapore Committee gave the recommendation to convert weak banks into narrow banks. The committee has proposed that the incremental resources of these narrow banks should be restricted only to investments in government securities.

Offshore Banking

- 'Offshore Banking Unit' means a branch of a bank in India located in the Special Economic Zone and holds an authorisation issued under clause (a) of sub-section (1) of section 23 of the Banking Regulation Act, 1949 (10 of 1949).
- An offshore banking unit (OBU) is a financial service unit (normally a branch or subsidiary of a non-resident bank), which plays an intermediary role between non-resident borrowers and lenders. In India, these are found in Special Economic Zones.
- Offshore banking units are allowed to accept deposits from foreign banks, from some onshore banks that permit deposits and other offshore banking units, and the OBU may make loans to non-resident companies as well.
- They do not carry retail business, but generally provide wholesale banking services — project financing, syndicated loans, issue of short-term and medium-term instruments, etc.

Green Banking

- The concept of green banking has emerged and is recognized as an important strategy to address sustainable development concerns and creating awareness among people about environmental responsibility.
- Green banking has two dimensions. First, the way the banking business is being done – is it paperless or not. The second dimension relates to where the bank puts its money. Green Banking entails banks to encourage environment friendly investments and give lending priority to those industries which have already turned green or are trying to go green and, thereby, help to restore the natural environment.
- Green banking generally refers to how environmentally friendly the bank is, and how committed to green and ethical policies the banks are.

Note: "Green Banking" can be called as the method of finance by the banks to make the industries grow green and, in the process, restore the natural environment. This concept of "Green Banking" will be mutually beneficial to the banks, industries and the economy.

Retail Banking

- Retail banking refers to the dealing of commercial banks with individual customers, both on liabilities and assets sides of the balance sheet.
- Fixed, current / savings accounts on the liabilities side; and mortgages, loans (e.g., personal, housing, auto, and educational) on the assets side, are the more important of the products offered by banks.
- Related ancillary services include credit cards, or depository services.
- Retail banking sector is characterized by three basic characteristics:
 - (a) multiple products (deposits, credit cards, insurance, investments and securities);
 - (b) multiple channels of distribution (call center, branch, Internet and kiosk); and
 - (c) multiple customer groups (consumer, small business, and corporate).

Wholesale Banking

- Wholesale banking refers to banking services between merchant banks and other financial institutions. In this the banks deals with larger clients, such as large corporations and other banks.
- It refers to doing banking business with industrial and business entities mostly corporates and trading houses, including multinationals, domestic business houses and prime-public sector.
- It is also called corporate banking.
- It is the borrowing and lending of funds to other banks, large multinationals and even government agencies.
- It focuses on corporate, i.e. Companies, firms, proprietorship concerns, Public Sector, Institutions, societies, Trusts and clubs.

Universal Banking

- Universal Banking is a multi-purpose and multi-functional financial supermarket (a company offering a wide range of financial services e.g. stock, insurance and real-estate brokerage) providing both banking and financial services through a single window.
- As per the World Bank, "In Universal Banking, large banks operate an extensive network of branches, provide many different services, hold several claims on firms (including equity and debt) and participate directly in the Corporate Governance of firms that rely on the banks for funding or as insurance underwriters".
- Universal banking, popular in developed countries, offers one-stop shopping for all financial products and services. A wide range of financial services such as commercial banking, investment banking, development banking and insurance are available to the customer under one roof. Investment products like savings accounts, certificates of deposits, mutual funds, credit cards and loans are within the reach of the customer.

Islamic Banking

- Islamic or Sharia banking is a finance system based on the principles of not charging interest, which is prohibited under Islam.
- Islamic banking is a banking system in accordance with the Shariat. In Islam, money has no intrinsic value – money, therefore, cannot be sold at a profit and is permitted to be used as per shariat only.
- The Islamic Law or Shariat prohibits paying any fee for renting of money (called riba) for specific periods of time.

Merchant Banking

- Merchant Banking is a combination of Banking and consultancy services.
- It provides consultancy to its clients for financial, marketing, managerial and legal matters. Consultancy means to provide advice, guidance and service for a fee.
- Ministry Of Finance in India defines Merchant Banker as “any person who is engaged in the business of issue management either by making arrangements regarding selling, buying, or subscribing to the securities as manager, consultant, adviser in relation to such an issue management”.
- In general, the merchant banks are the financial institution which provides financial services, solutions, & advice to corporate houses.

Exercise

- Banks can undertake certain eligible financial services or activities either departmentally or by setting up subsidiaries called?
 - Green Banking
 - Retail banking
 - Para Banking
 - Narrow Banking
 - Corporate banking
- In which type of banking, banks place funds only in riskless securities?
 - Narrow Banking
 - Corporate banking
 - Retail banking
 - Para Banking
 - Personal banking
- Name the Committee which gave the recommendation to convert weak banks into narrow banks?
 - Tarapore Committee
 - J Reddy Committee
 - LC Gupta Committee
 - Nadkarni Committee
 - R. Gandhi Committee
- A financial service unit (normally a branch or subsidiary of a non-resident bank), which plays an intermediary role between non-resident borrowers and lenders is known as?
 - Offshore banking unit
 - Accounting unit
 - Para banking unit
 - Retail banking unit
 - Green banking unit
- In India offshore banking units (OBU) are normally found in?
 - Free-trade zones (FTZ)
 - Export processing zones (EPZ)
 - Special Economic Zones
 - Bonded logistics parks (BLP)
 - Industrial parks
- Offshore banking units generally do not carry which type of business?
 - Wholesale business
 - Manufacturing Business
 - Merchandising Business
 - Hybrid Business
 - Retail business
- Which type of Banking entails banks to encourage environment friendly investments?
 - Green Banking
 - Corporate banking
 - Retail banking
 - Para Banking
 - Personal banking
- Which type of banking refers to the dealing of commercial banks with individual customers, both on liabilities and assets sides of the balance sheet?
 - Retail banking
 - Personal banking
 - Corporate banking
 - Custom banking
 - None of these
- Fixed, current / savings accounts come under which type of the products offered by banks?
 - Assets
 - Loans
 - Liabilities
 - Overdraft
 - None of these
- Mortgages, loans (e.g., personal, housing, auto, and educational) are the _____ type of the products offered by banks.
 - Liabilities
 - Assets
 - Loans
 - Savings
 - Overdraft
- Banking services between merchant banks and other financial institutions such as large corporations and other banks are called?
 - Corporate banking
 - Personal banking
 - Retail banking
 - Wholesale banking
 - Para Banking
- Wholesale banking is also known as?
 - Wholesale banking
 - Personal banking
 - Retail banking
 - Corporate banking
 - None of these
- Banking which is a multi-purpose and multi-functional financial supermarket providing both banking and financial services through a single window, is known as?
 - Universal Banking
 - Wholesale banking
 - Retail banking
 - Personal banking
 - Corporate banking

14. Banks participating directly in the Corporate Governance of firms that rely on the banks for funding or as insurance underwriters, such type of banking is known as?
 (a) Retail banking (b) Personal banking
 (c) Universal Banking (d) Corporate banking
 (e) None of these
15. Merchant Banking is a combination of Banking and _____.
 (a) Wealth management (b) Merchant service
 (c) Consultancy services (d) Treasury services
 (e) Insurance
16. In Merchant Banking, a bank provides consultancy to its clients for which type of matters?
 (a) Business loans
 (b) Financial, marketing, managerial and legal
 (c) Savings accounts
 (d) Merchant services
 (e) Savings accounts
17. The banking in which the banks deals with large clients such other banks, corporations and MNCs
 The banking is called as?
 (a) Retail banking (b) Merchant banking
 (c) Offshore banking (d) Wholesale banking
 (e) None of these
18. The banking which generally does not provide any retail business banking is also known as?
 (a) Offshore banking (b) Wholesale banking
 (c) Retail banking (d) Universal banking
 (e) Merchant banking
19. Which banks are generally considered as the safe banks?
 (a) Para banking (b) Narrow banking
 (c) Merchant banking (d) Personal banking
 (e) None of these
20. Which banking provides the mortgages, loans and fixed, current, savings accounts?
 (a) Retail banking (b) Offshore banking
 (c) Merchant banking (d) Universal banking
 (e) None of these

Solutions

1. **(c):** Para banking activities are the activities carried out by the bank which are apart from its normal day-to-day activities. Banks can do these activities either departmentally or by setting up subsidiaries to undertake the type of business. The Para Banking activities are such as insurance business, portfolio management services, to become pension fund managers, mutual funds business, money market mutual funds, underwriting of bonds of PSUs, investment in venture capital funds, etc.
2. **(a):** The narrow (full-reserve) banking proposal calls for a total separation of bank deposit accounts from all other bank activities
3. **(a):** Tarapore Committee was constituted by the Reserve Bank of India for suggesting a roadmap on full convertibility of Rupee on Capital Account.
4. **(a):** An offshore banking unit (OBU) is a bank shell branch, located in another international financial center (or, in the case of India, a Special Economic Zone). Offshore banking units (OBUs) make loans in the Eurocurrency market when they accept deposits from foreign banks and other OBUs.
5. **(c):** An offshore banking unit (OBU) is a bank shell branch, located in another international financial center (or, in the case of India, a Special Economic Zone). Offshore banking units (OBUs) make loans in the Eurocurrency market when they accept deposits from foreign banks and other OBUs.
6. **(e):** Local monetary authorities and governments do not restrict OBUs' activities; however, they are not allowed to accept domestic deposits or make loans to residents of the country, in which they are physically situated. Overall OBUs can enjoy significantly more flexibility regarding national regulations.
7. **(a):** Green banking means promoting environmental 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
8. **(a):** Retail banking, also known as consumer banking, is the typical mass-market banking in which individual customers use local branches of larger commercial banks. Services offered include savings and checking accounts, mortgages, personal loans, debit/credit cards and certificates of deposit (CDs). In retail banking, the focus is on the individual consumer.
9. **(c):** LIABILITIES are the ones for which an amount of money is owed like in a company the salaries of employees are to be given, etc.
 If we talk about bank's liabilities: They are those which the bank has from the customer deposits and borrowed money for bank's purpose.

- 10. (b):** ASSETS are the ones which are useful or valuable things a person/organization has like goods, property, vehicles, equipment, machinery, etc. If we talk about bank's assets: They are those which the bank has and can be readily converted to cash whenever bank requires money.
- 11. (d):** Wholesale banking refers to banking services between merchant banks and other financial institutions. This type of banking deals with larger clients, such as large corporations and other banks. Wholesale banking services include currency conversion, working capital financing, large trade transactions, and other types of services.
- 12. (d):** Wholesale banking is also known as corporate banking as both have same work.
- 13. (a):** Universal banking is a system in which banks provide a wide variety of financial services, including commercial and investment services. Universal banking is common in developed countries.
- 14. (c):** Universal banks may offer credit, loans, deposits, asset management, investment advisory, payment processing, securities transactions, underwriting, and financial analysis
- 15. (c):** Merchant banking is a combination of banking and consultancy services.
- 16. (b):** Merchant banking provides consultancy to its clients for financial, marketing, managerial and legal matters.
- 17. (d):** Wholesale banking refers to banking services between merchant banks and other financial institutions. This type of banking deals with larger clients, such as large corporations and other banks
- 18. (a):** Offshore banking refers to the deposit of funds by a company or individual in a bank that is located outside their national residence.
- 19. (b):** The bank is not willing to take risk in lending loans and they want to play a safe role in providing loans only to sizeable borrowers and not to all
- 20. (a):** Retail banking, also known as consumer banking, is the typical mass-market banking in which individual customers use local branches of larger commercial banks. Services offered include savings and checking accounts, mortgages, personal loans, debit/credit cards and certificates of deposit (CDs).



All about the Formation of RBI

- RBI is the central bank of India. It is also known as the banker's Bank.
- The origins of RBI can be traced to 1926, when the Royal Commission on Indian Currency and Finance – also known as the Hilton-Young Commission – recommended the creation of a central bank for India to separate the control of currency and credit from the Government and to augment banking facilities throughout the country.
- RBI Act of 1934 established the Reserve Bank and it started its operations in 1935.
- The Central Office of the Reserve Bank was initially established in Calcutta but was permanently moved to Mumbai in 1937.
- Starting as a private shareholders' bank, the Reserve Bank was nationalised in 1949. It aimed at achieving coordination between the policies of the government and those of the central bank.

Origins of the Reserve Bank of India

- **1926:** The Royal Commission on Indian Currency and Finance recommended creation of a central bank for India.
- **1927:** A bill to give effect to the above recommendation was introduced in the Legislative Assembly, but was later withdrawn due to lack of agreement among various sections of people.
- **1933:** The White Paper on Indian Constitutional Reforms recommended the creation of a Reserve Bank. A fresh bill was introduced in the Legislative Assembly.
- **1934:** The Bill was passed and received the Governor General's assent
- **1935:** The Reserve Bank commenced operations as India's central bank on April 1 as a private shareholders' bank with a paid-up capital of rupees five crore (rupees fifty million).
- **1942:** The Reserve Bank ceased to be the currency issuing authority of Burma (now Myanmar).
- **1947:** The Reserve Bank stopped acting as banker to the Government of Burma.
- **1948:** The Reserve Bank stopped rendering central banking services to Pakistan.
- **1949:** The Government of India nationalised the Reserve Bank under the Reserve Bank (Transfer of Public Ownership) Act, 1948.

RBI as an Organisation

- The Central Board of Directors is at the top of the Reserve Bank's organisational structure. These are appointed by the Government under the provisions of the Reserve Bank of India Act, 1934.
- The Governor is the Reserve Bank's chief executive. It supervises and directs the affairs and business of the RBI. The management team also includes Deputy Governors and Executive Directors.
- The Central Government nominates fourteen Directors on the Central Board, including one Director each from the four Local Boards. The other ten Directors represent different sectors of the economy.
- All these appointments are made for a period of four years.
- Govt. also nominates one Government official as a Director representing the Government, who is usually the Finance Secretary to the Government of India and remains on the Board 'during the pleasure of the Central Government'.
- The Reserve Bank Governor and a maximum of four Deputy Governors are also ex officio Directors on the Central Board.

Subsidiaries of the RBI

The fully owned subsidiaries of RBI are as follows:

- **Deposit Insurance and Credit Guarantee Corporation of India (DICGC)**
- **Bharatiya Reserve Bank Note Mudran Private Limited (BRBNMPL)**

A Brief on Deposit Insurance and Credit Guarantee Corporation of India (DICGC)

- With a view to integrating the functions of deposit insurance and credit guarantee, the Deposit Insurance Corporation and Credit Guarantee Corporation of India were merged and the present Deposit Insurance and Credit Guarantee Corporation (DICGC) came into existence on July 15, 1978.
- It was established under the DICGC Act 1961.
- It insures all deposits (such as savings, fixed, current, and recurring deposits) with eligible banks except some deposits that we will study in the chapter related to DICGC.

Bharatiya Reserve Bank Note Mudran Private Limited (BRBNMPL)

- RBI established BRBNMPL in February 1995 as a wholly-owned subsidiary to augment the production of bank notes in India and to enable bridging of the gap between supply and demand for banknotes in the country.
- It has been registered as a Public Limited Company under the Companies Act, 1956 with its Registered and Corporate Office situated at Bengaluru.

The Current Office Holders

Shri Shaktikanta Das | Governor
Shri T. Rabi Sankar | Deputy Governor
Shri M. Rajeshwar Rao | Deputy Governor
Mahesh Kumar Jain | Deputy Governor
Dr. M. D. Patra | Deputy Governor

Functions of the RBI

Monetary Authority

- Formulates, implements and monitors the monetary policy.
- Objective: maintaining price stability while keeping in mind the objective of growth.

Regulator and supervisor of the financial system:

- Prescribes broad parameters of banking operations within which the country's banking and financial system functions.
- Objective: maintain public confidence in the system, protect depositors' interest and provide cost-effective banking services to the public.

Manager of Foreign Exchange

- Manages the Foreign Exchange Management Act, 1999.
- Objective: to facilitate external trade and payment and promote orderly development and maintenance of foreign exchange market in India.

Issuer of currency

- Issues and exchanges or destroys currency and coins not fit for circulation.
- Objective: to give the public adequate quantity of supplies of currency notes and coins and in good quality.

Other Functions of RBI

- **Also, RBI** performs a wide range of promotional functions to support national objectives.
- **Banker to the Government:** performs merchant banking function for the central and the state governments; also acts as their banker.
- **Banker to banks:** maintains banking accounts of all scheduled banks.

What is Financial Supervision by RBI with the help of BFS?

RBI performs the function of Financial supervision under the guidance of the Board for Financial Supervision (BFS). This was constituted in November 1994 as a committee of the Central Board of Directors of the Reserve Bank of India. The objective is to undertake consolidated supervision of the financial sector comprising commercial banks, financial institutions and non-banking finance companies.

The Board is constituted by co-opting four Directors from the Central Board as members for a term of two years and is chaired by the Governor.

Other important points related to RBI

- It has 27 regional offices, most of them in state capitals and 04 Sub-offices.
- It has five training establishments
 - (a) Two, namely, College of Agricultural Banking and Reserve Bank of India Staff College are part of the Reserve Bank.
 - (b) Others are autonomous, such as, National Institute for Bank Management, Indira Gandhi Institute for Development Research (IGIDR), Institute for Development and Research in Banking Technology (IDRBT) etc.

The acts administered by Reserve Bank of India

- Reserve Bank of India Act, 1934
- Public Debt Act, 1944/Government Securities Act, 2006
- Government Securities Regulations, 2007
- Banking Regulation Act, 1949
- Foreign Exchange Management Act, 1999
- Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (Chapter II)
- Credit Information Companies (Regulation) Act, 2005
- Payment and Settlement Systems Act, 2007
- Payment and Settlement Systems Regulations, 2008 and Amended up to 2011 and BPSS Regulations, 2008
- The Payment and Settlement Systems (Amendment) Act, 2015 - No. 18 of 2015
- Factoring Regulation Act, 2011

Exercise

- | | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ol style="list-style-type: none"> 1. The RBI is established on the recommendations of which commission?
 (a) YV Reddy Committee
 (b) Hilton Young Commission
 (c) Rangarajan Committee
 (d) J Reddy Committee
 (e) None of these 2. The RBI established under which act?
 (a) RBI Act of 1935 (b) RBI Act of 1934
 (c) RBI Act of 1949 (d) RBI Act of 1926
 (e) None of these 3. The Central Office of the Reserve Bank was initially established in?
 (a) Calcutta (b) Mumbai (c) Delhi
 (d) Chennai (e) Bengaluru 4. The Head office of the Reserve Bank of India currently situated in?
 (a) Jaipur (b) Kolkata (c) Chennai
 (d) Delhi (e) Mumbai 5. The Reserve Bank was nationalised in which year?
 (a) 1947 (b) 1935 (c) 1949
 (d) 1945 (e) 1942 6. The Reserve Bank started its operations in?
 (a) 1938 (b) 1932 (c) 1935
 (d) 1945 (e) 1949 7. The Reserve Bank stopped acting as banker to the Government of Burma from?
 (a) 1947 (b) 1945 (c) 1944
 (d) 1949 (e) 1938 8. The Central Board of Directors of the Reserve Bank are appointed by?
 (a) President (b) The Central Government
 (c) Supreme Court (d) Finance minister
 (e) None of these | <ol style="list-style-type: none"> 9. How many Deputy Governors currently in the Reserve Bank of India?
 (a) 5 (b) 4 (c) 7
 (d) 3 (e) 6 10. The Central Government nominates ____ Directors on the Central Board for a period of four years.
 (a) 14 (b) 12 (c) 15
 (d) 17 (e) 10 11. DICGC is one of the fully owned subsidiaries of RBI, the full form of DICGC is?
 (a) Deposit Insurance and Cash Guarantee Corporation of India
 (b) Demandable Insurance and Credit Guarantee Corporation of India
 (c) Deposit Insurance and Credit Guarantee Corporation of India
 (d) Deposit Insurance and Credit Guarantee Company of India
 (e) None of these 12. What is the full form of BRBNMPL?
 (a) Bharatiya Reserve Bank Note Mudran Private Limited
 (b) Bharatiya Reserve Bank Note Monetary Private Limited
 (c) Bharatiya Reserve Bank Note Money Private Limited
 (d) Bharatiya Reserve Bank Note Micro Private Limited
 (e) None of these 13. National Housing Bank (NHB) was set up on?
 (a) 1982 (b) 1975 (c) 1998
 (d) 1988 (e) 1992 |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

14. RBI performs the function of Financial supervision under the guidance of?
 (a) Board for Financial Supervision
 (b) Central Board Directors
 (c) RBI Governor
 (d) Board for Payment and Settlement Systems
 (e) None of these
15. The number of regional offices of RBI?
- (a) 27 (b) 25 (c) 31
 (d) 29 (e) 35
16. RBI Manages the Foreign Exchange under the act?
 (a) Foreign Exchange Management Act, 1995
 (b) Foreign Exchange Management Act, 1993
 (c) Foreign Exchange Management Act, 1989
 (d) Foreign Exchange Management Act, 1999
 (e) Foreign Exchange Management Act, 1998

Solutions

1. **(b):** Royal Commission on Indian Currency (Hilton Young Commission) recommends the establishment of a central bank to be called the 'Reserve Bank of India'.
2. **(b):** Reserve Bank of India Act, 1934, (II of 1934) constitutes the statutory basis on which the Bank is established.
3. **(a):** The original headquarter of RBI was in Calcutta.
4. **(e):** RBI headquarter is in Mumbai.
5. **(c):** The Reserve Bank of India was nationalised with effect from 1st January, 1949 based on the Reserve Bank of India (Transfer to Public Ownership) Act, 1948.
6. **(c):** RBI began operations on April 01, 1935.
7. **(a):** The Reserve Bank ceased to be the currency-issuing authority of Burma (now Myanmar) in 1942. In 1947, the Reserve Bank stopped acting as banker to the Government of Burma
8. **(b):** The Central Board is appointed by the Central Government under the provisions of the Reserve Bank of India Act, 1934.
9. **(b):** The bank is headed by the governor, currently Shaktikanta Das. There are four deputy governor.
10. **(a):** The Reserve Bank's affairs are governed by a central board of directors. The board is appointed by the Government of India in keeping with the Reserve Bank of India Act.
 Appointed/nominated for a period of four years
 Constitution: Official Directors
 Full-time : Governor and not more than four Deputy Governors
 Non-Official Directors
 Nominated by Government: ten Directors from various fields and two government Official
 Others: four Directors - one each from four local boards
11. **(c):** Deposit Insurance and Credit Guarantee Corporation is a wholly-owned subsidiary of Reserve Bank of India. It was established on 15 July 1978 under the Deposit Insurance and Credit Guarantee Corporation Act, 1961 to provide insurance of deposits and guarantee of credit facilities.
12. **(a):** Bharatiya Reserve Bank Note Mudran Private Limited (BRBNMPL) was established by Reserve Bank of India (RBI) as its wholly owned subsidiary on 3rd February 1995 with a view to augmenting the production of banknotes in India to enable the RBI to bridge the gap between the supply and demand for banknotes in the country.
13. **(d):** NHB is an All India Financial Institution(AIFI), set up in 1988, under an Act of Parliament, viz. the National Housing Bank Act, 1987 (Central Act No. 53 of 1987).
14. **(a):** The Reserve Bank of India performs the supervisory function under the guidance of the Board for Financial Supervision (BFS). The Board is constituted by co-opting four Directors from the Central Board as Members and is chaired by the Governor.
15. **(c):** The Reserve Bank of India has offices at 31 locations
16. **(d):** The Foreign Exchange Management Act, 1999 is an Act of the Parliament of India "to consolidate and amend the law relating to foreign exchange to facilitate external trade and payments and for promoting the orderly development and maintenance of the foreign exchange market in India.



Monetary policy refers to the policy of the RBI with regard to the use of monetary instruments under its control to achieve the goals specified in the RBI Act, 1934.

What are the goals of the Monetary Policy of RBI?

- Primary objective is to maintain price stability while keeping in mind the objective of growth.
- In May 2016, RBI Act, 1934 was amended to provide a statutory basis for the implementation of the flexible inflation targeting framework.
- The Act also provides for the inflation target to be set by the Government of India, in consultation with the Reserve Bank, once in every five years.

What is the Monetary Policy Framework?

- Monetary Policy framework aims at setting the policy (repo) rate based on an assessment of the current and evolving macroeconomic situation; and modulation of liquidity conditions to anchor money market rates at or around the repo rate.
- Repo rate changes transmit through the money market to the entire the financial system, which, in turn, influences aggregate demand – a key determinant of inflation and growth.

The Monetary Policy Process

- Section 45ZB of the amended RBI Act, 1934 also provides for an empowered six-member monetary policy committee (MPC) to be constituted by the Central Government by notification in the Official Gazette.
- Accordingly, the Central Government in September 2016 constituted the MPC as under:
 1. Shri Shaktikanta Das, Governor of the Reserve Bank of India – Chairperson, ex officio;
 2. Shri Bibhu Prasad Kanungo, Deputy Governor of the Reserve Bank of India, in charge of Monetary Policy – Member, ex officio;
 3. Dr. Michael Debabrata Patra, One officer of the Reserve Bank of India to be nominated by the Central Board – Member, ex officio;
 4. Shri Chetan Ghate, Professor, Indian Statistical Institute (ISI) – Member;
 5. Professor Pami Dua, Director, Delhi School of Economics – Member; and
 6. Dr. Ravindra H. Dholakia, Professor, Indian Institute of Management, Ahmedabad – Member.

Note:

- Members referred to at 4 to 6 above, will hold office for a period of four years or until further orders, whichever is earlier.
- The MPC determines the policy interest rate required to achieve the inflation target.
- The Reserve Bank's Monetary Policy Department (MPD) assists the MPC in formulating the monetary policy.
- Financial Markets Operations Department (FMOD) operationalises the monetary policy, mainly through day-to-day liquidity management operations.

Important Points related to Monetary Policy Making

Under the amended RBI Act, the monetary policy making is as under:

- The MPC is required to meet at least four times in a year.
- The quorum for the meeting of the MPC is four members.
- Each member of the MPC has one vote, and in the event of an equality of votes, the Governor has a second or casting vote.

What are the Instruments of Monetary Policy?

- There are several direct and indirect instruments that are used for implementing monetary policy.

Repo Rate

- The (fixed) interest rate at which the Reserve Bank provides overnight liquidity to banks against the collateral of government & other approved securities under the liquidity adjustment facility (LAF).

Reverse Repo Rate

The (fixed) interest rate at which the Reserve Bank absorbs liquidity, on an overnight basis, from banks against the collateral of eligible government securities under the LAF.

Liquidity Adjustment Facility (LAF):

- RBI's liquidity adjustment facility/LAF helps banks to adjust their daily liquidity mismatches.
- It has two components which are repo (repurchase agreement) and reverse repo.
- When banks need liquidity to meet its daily requirement, they borrow from RBI through repo. The rate at which they borrow fund is called the repo rate. When banks are flush with fund, they park with RBI through the reverse repo mechanism at reverse repo rate.

Marginal Standing Facility (MSF)

- A facility under which scheduled commercial banks can borrow additional amount of overnight money from the Reserve Bank by dipping into their Statutory Liquidity Ratio (SLR) portfolio up to a limit at a penal rate of interest.
- This provides a safety valve against unanticipated liquidity shocks to the banking system.

Corridor

- The MSF rate and reverse repo rate determine the corridor for the daily movement in the weighted average call money rate.

Bank Rate

- It is the rate at which the Reserve Bank is ready to buy or rediscount bills of exchange or other commercial papers for long terms. The Bank Rate is published under Section 49 of the Reserve Bank of India Act, 1934.
- This rate has been aligned to the MSF rate and, therefore, changes automatically as and when the MSF rate changes alongside policy repo rate changes.

Cash Reserve Ratio (CRR)

- The average daily balance that a bank is required to maintain with the Reserve Bank as a share of such per cent of its Net demand and time liabilities (NDTL) that the Reserve Bank may notify from time to time in the Gazette of India.

Statutory Liquidity Ratio (SLR)

- The share of NDTL that a bank is required to maintain in safe and liquid assets, such as, unencumbered government securities, cash and gold.
- Changes in SLR often influence the availability of resources in the banking system for lending to the private sector.

Open Market Operations (OMOs)

- These include both, outright purchase and sale of government securities, for injection and absorption of durable liquidity, respectively.

Market Stabilisation Scheme (MSS)

- This instrument for monetary management was introduced in 2004. Surplus liquidity of a more enduring nature arising from large capital inflows is absorbed through sale of short-dated government securities and treasury bills.
- The cash so mobilised is held in a separate government account
- with the Reserve Bank.

Exercise

1. Who regulates monetary policy in India?
 - (a) The Reserve Bank of India
 - (b) Finance ministry
 - (c) NITI Aayog
 - (d) Finance Commission
 - (e) None of these
2. What is the primary objective of monetary policy?
 - (a) Price stability
 - (b) Foreign Reserve
 - (c) Regulating Current account deficit
 - (d) Regulating FDI
 - (e) None of these
3. In which year the RBI Act, 1934 was amended to provide a statutory basis for the implementation of the flexible inflation targeting framework?
 - (a) May 2014
 - (b) May 2016
 - (c) April 2013
 - (d) May 2015
 - (e) July 2012
4. An empowered six-member monetary policy committee (MPC) was constituted by the Central Government by notification in the Official Gazette after amending RBI Act, 1934 by?
 - (a) The Finance Act, 2012
 - (b) The Finance Act, 2015
 - (c) The Finance Act, 2016
 - (d) The Finance Act, 2010
 - (e) The Finance Act, 2014
5. Who is the chairperson of the six-member monetary policy committee (MPC)?
 - (a) Finance minister
 - (b) Finance Secretary
 - (c) Governor of the RBI
 - (d) Deputy Governor of RBI
 - (e) None of these
6. Members of the monetary policy committee (MPC) will hold office for a period of?
 - (a) 2 years or until further orders (whichever is earlier)
 - (b) 5 years or until further orders (whichever is earlier)
 - (c) 3 years or until further orders (whichever is earlier)
 - (d) 4 years or until further orders (whichever is earlier)
 - (e) None of these
7. Who determines the policy interest rate required to achieve the inflation target?
 - (a) The monetary policy committee
 - (b) The Fiscal policy committee
 - (c) Annual Budget Committee
 - (d) Planning commission
 - (e) None of these
8. The MPC is required to meet at least ____ times in a year.
 - (a) Five
 - (b) Six
 - (c) Four
 - (d) Three
 - (e) one
9. What is the quorum for the meeting of the MPC?
 - (a) 3 members
 - (b) 5 members
 - (c) 8 members
 - (d) 4 members
 - (e) 2 members
10. In the event of an equality of votes who has the power of a second or casting vote?
 - (a) Governor of the RBI
 - (b) Deputy governor of RBI
 - (c) Finance minister
 - (d) Finance Secretary
 - (e) None of these
11. Name the interest rate at which the Reserve Bank provides overnight liquidity to banks?
 - (a) Reverse Repo Rate
 - (b) Bank rate
 - (c) Repo Rate
 - (d) Cash Reserve Ratio
 - (e) None of these
12. Name the interest rate at which the Reserve Bank absorbs liquidity, on an overnight basis, from banks?
 - (a) Repo Rate
 - (b) Reverse Repo Rate
 - (c) Bank Rate
 - (d) Marginal Standing Facility Rate
 - (e) None of these
13. What is the full form of LAF?
 - (a) Liquidity Adjustment Fiscal
 - (b) Liquidity Adjustment Facility
 - (c) Leverage Adjustment Facility
 - (d) Leverage Annual Facility
 - (e) Leverage Adjustment Fund
14. Name the facility under which scheduled commercial banks can borrow additional amount of overnight money from the Reserve Bank by dipping into their Statutory Liquidity Ratio (SLR) portfolio up to a limit at a penal rate of interest?
 - (a) Marginal Standing Facility (MSF)
 - (b) Repo Rate
 - (c) Reverse Repo Rate
 - (d) Bank Rate
 - (e) None of these
15. _____ is the rate at which the Reserve Bank is ready to buy or rediscount bills of exchange or other commercial papers for long terms.
 - (a) Repo Rate
 - (b) Reverse Rate
 - (c) Bank Rate
 - (d) Marginal Standing Facility (MSF)
 - (e) Statutory Liquidity Ratio (SLR)

- 15. (c):** A bank rate is the interest rate at which a nation's central bank lends money to domestic banks, often in the form of very short-term loans. Managing the bank rate is a method by which central banks affect economic activity.
- 16. (d):** Cash reserve ratio (CRR) is generally defined as a particular minimum amount of deposits that needs to be maintained as a reserve by every commercial bank in India according to the requirement of the RBI. The CRR will be fixed as per the rules and regulations of the RBI.
- 17. (a):** Statutory liquidity ratio is the Government term for the reserve requirement that commercial banks are required to maintain in the form of cash, gold reserves, Reserve Bank of India- approved securities before providing credit to the customers.
- 18. (c):** Open market operations is the sale and purchase of government securities and treasury bills by RBI or the central bank of the country. The objective of OMO is to regulate the money supply in the economy.
- 19. (b):** Market Stabilization scheme (MSS) is a monetary policy intervention by the RBI to withdraw excess liquidity (or money supply) by selling government securities in the economy. The MSS was introduced in April 2004.



- The Indian Banking System starts with **the Indigenous Banking System** which was mainly carried by the businessmen called Sharoffs, Seths, Sahukars, Mahajans, Chettis, etc. It couldn't be developed because they were not able to obtain deposits from the public.
- **Modern banking** in India originated in the last decades of the 18th century. The first banks were **The General Bank of India which started in 1786, and the Bank of Hindustan.**
- Thereafter, **three presidency banks namely the Bank of Bengal** (this bank was originally started in the year 1806 as Bank of Calcutta and then in the year 1809 became the Bank of Bengal), the Bank of Bombay and the Bank of Madras, were set up. These three banks were merged in 1925 to form the Imperial Bank of India.
- **The Allahabad Bank**, established in 1865, is the oldest survived Joint Stock bank in India.
- **Punjab National Bank**, established in Lahore in 1895, which is now one of the largest banks in India.
- A major landmark in Indian banking history took place in **1934 when a decision was taken to establish 'Reserve Bank of India'** which started functioning in 1935. Since then, RBI, as a central bank of the country, has been regulating banking system.
- In 1949, to have close integration between policies of the Reserve Bank and those of the Government, it was decided to **nationalize the Reserve Bank immediately after the independence of the country.**
- To streamline the functioning of commercial banks, the **Government of India enacted the Banking Companies Act, 1949 which was later changed as the Banking Regulation Act 1949.** RBI acts as a regulator of banks, banker to the Government and banker's bank.
- To serve the economy in general and the rural sector in particular, **the All India Rural Credit Survey Committee recommended the creation of a state-partnered and state-sponsored bank by taking over the Imperial Bank of India, and integrating with it, the former state-owned or state-associate banks. An act was accordingly passed in Parliament in May 1955 and the State Bank of India was constituted on 1 July 1955.** Later, the State Bank of India (Subsidiary Banks) Act was passed in 1959, enabling the State Bank of India to take over eight former State-associated banks as its subsidiaries (later named Associates).
- Indian Banking System witnessed a major revolution in the year **1969 when 14 major commercial banks in the private sector were nationalized on 19th July, 1969.** Most of these banks having deposits of above Rs. 50 crores.
- In **1980, another six more commercial banks with deposits of above Rs. 200 crores were nationalized.**

Regional Rural Banks

- In 1975, a new set of banks **called the Regional Rural Banks, were setup based on the recommendations of a working group headed by Shri Narasimham**, to serve the rural population in addition to the banking services offered by the co-operative banks and commercial banks in rural areas.

New Private Sector Banks

- In 1991, the Narasimham committee recommended that banks should increase operational efficiency, strengthen the supervisory control over banks and the new players should be allowed to create a competitive environment. Based on the recommendations, **new private banks were allowed to start functioning.**

History of Banking Sector in India

- The first bank of a joint stock variety was Bank of Bombay, established in 1720 in Bombay. This was followed by Bank of Hindustan in Calcutta, which was established in 1770 by an agency house.
- The General Bank of Bengal and Bihar, which came into existence in 1773, after a proposal by Governor (later Governor General) Warren Hastings, proved to be a short-lived experiment.
- The first 'Presidency bank' was the Bank of Bengal established in Calcutta on June 2, 1806 with a capital of Rs.50 lakh. The bank was given powers to issue notes in 1823.
- Bank of Bombay was the second Presidency bank set up in 1840 with a capital of Rs.52 lakh, and the Bank of Madras the third Presidency bank established in July 1843 with a capital of Rs.30 lakh.

- With the collapse of the Bank of Bombay, the New Bank of Bombay was established in January 1868.
- The Presidency Bank Act, which came into existence in 1876, brought the three Presidency banks under a common statute and imposed some restrictions on their business.
- The first Indian owned bank was the Allahabad Bank set up in Allahabad in 1865, the second, Punjab National Bank was set up in 1895 in Lahore, and the third, Bank of India was set up in 1906 in Mumbai. All these banks were founded under private ownership.
- Swadeshi Movement of 1906 provided a great impetus to joint stock banks of Indian ownership and many more Indian commercial banks such as Central Bank of India, Bank of Baroda, Canara Bank, Indian Bank, and Bank of Mysore were established between 1906 and 1913.
- The late Shri Vithal L Kavthekar pioneered the urban co-operative credit movement in the year 1889 in the then princely State of Baroda.
- The first registered urban co-operative credit society was the Conjeevaram Urban Co-operative Bank, organised in Conjeevaram, in the then Madras Presidency.

Note:

- They were known as Presidency banks as they were set up in the three Presidencies that were the units of administrative jurisdiction in the country for the East India Company. The Presidency banks were governed by Royal Charters. The Presidency banks issued currency notes until the enactment of the Paper Currency Act, 1861, when this right to issue currency notes by the Presidency banks was abolished and that function was entrusted to the Government.
- The presidency banks were amalgamated into a single bank, the Imperial Bank of India, in 1921. It also functioned as a central bank prior to the establishment RBI. The Imperial Bank of India performed three set of functions, viz., commercial banking, central banking and the banker to the government.
- By 1930, the number of commercial banks increased to 107 with the Imperial Bank of India still dominating the Indian banking sector.
- Indian Central Banking Enquiry Committee was set up in 1929 to survey extensively the problems of Indian banking, observed that a central bank be established for the country.
- Reserve Bank of India Act 1934 was enacted paving the way for the setting up of the Reserve Bank of India. The issue of bank failures and the need for catering to the requirements of agriculture were the two prime reasons for the establishment of the Reserve Bank. The banking sector came under the purview of the Reserve Bank in 1935.
- The Government, therefore, first implemented the exercise of nationalisation of the Imperial Bank of India with the objective of “extension of banking facilities on a large scale, more particularly in the rural and semi-urban areas, and for diverse other public purposes”. The Imperial Bank of India was converted into the State Bank of India in 1955 with the enactment of the State Bank of India Act, 1955.

Major Controls/Schemes introduced in Banking Sector from 1968

Year	Reform Introduced
1962	In order to ensure the safety of deposits of small depositors in banks in India, Deposit Insurance Corporation Act, 1961 was enacted. Deposit Insurance Corporation of India was established in January 1962.
1963	Agricultural Refinance Corporation (ARC) was set up by the Act of July 1, 1963. Its objective was to refinance central land mortgage banks, State cooperative banks and scheduled commercial banks.
1965	Credit Authorisation Scheme (CAS) was introduced, under which the commercial banks were required to obtain prior permission of RBI for sanctioning any fresh working capital limits above the prescribed norm which was revised from time to time.
1968	National Credit Council (NCC) set up in Feb. 1968 to assist RBI & Govt. to allocate credit according to plan priorities.
1969	Fourteen banks with deposits of over Rs.50 crores were nationalised.
1969	Lead Bank Scheme was introduced to mobilise deposits on a massive scale throughout the country and also for stepping up lending to the weaker sections.
1972	Concept of Priority Sector was formalised. Specific targets were set out in Nov 1974 for public sector banks & in Nov. 1978 for private sector banks.

1972	Differential Rate of Interest (DRI) Scheme was instituted to cater to the needs of the weaker sections of the society and for their upliftment.
1980	Six Banks with demand and time liabilities greater than Rs.200 crore as on March 14, 1980, were nationalised on April 15, 1980.
1994	Board for Financial Supervision (BFS) was set up within RBI to attend exclusively to supervisory functions & provide effective supervision in an integrated manner over the banking system, financial institutions, NBFCs & other para-banking financial institutions.
1995	Banking Ombudsman Scheme was introduced under the provisions of the BR Act, 1949.
2006	Banking Codes and Standards Board of India (BCSBI) was set up by Reserve Bank in order to provide for voluntary registration of banks committing to provide customer services as per the agreed standards and codes.
The roadmap for the presence of foreign banks in India was drawn up in February 2005 .	
Banks were advised to introduce a facility of 'no frills' account with nil or low minimum balances in November 2005 .	
Recovery of Debts Due to Banks and Financial Institutions Act was enacted in 1993 , which provided for the establishment of tribunals for expeditious adjudication and recovery of non-performing loans.	
Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI) Act, 2002 was enacted in March, 2002 .	

Exercise

- Modern banking in India originated in the 18th century and the first banks were :-
 - The General Bank of India and the Bank of Hindustan
 - The General Bank of India and the Bank of Bengal
 - The Bank of Bengal and the Bank of Hindustan
 - Imperial Bank of India and the Bank of Hindustan
 - The General Bank of India and the Bank of Allahabad
- The General Bank of India was established in which year?
 - 1782
 - 1788
 - 1786
 - 1792
 - 1789
- The oldest survived Joint Stock bank in India is?
 - Allahabad Bank
 - Bank of Hindustan
 - General Bank of India
 - State Bank of India
 - None of these
- To streamline the functioning of commercial banks, the Government of India enacted the Banking Companies Act, 1949 which was later changed as?
 - The Banking Regulation Act 1972
 - The Banking Regulation Act 1949
 - The Banking Regulation Act 1946
 - The Banking Regulation Act 1955
 - The Banking Regulation Act 1957
- The Imperial Bank of India transformed into the State Bank of India in which year?
 - 1946
 - 1952
 - 1955
 - 1974
 - 1982
- The State Bank of India (Subsidiary Banks) Act was passed in which year, enabling the State Bank of India to take over eight former State-associated banks as its subsidiaries?
 - 1959
 - 1948
 - 1963
 - 1965
 - 1954
- How many commercial banks in the private sector were nationalized on 19th July, 1969 with deposits of above Rs. 50 crores.?
 - 12 Banks
 - 16 Banks
 - 19 Banks
 - 14 Banks
 - 22 Banks
- In 1980, another 6 more commercial banks with deposits of above _____ were nationalized.
 - Rs. 300 crore
 - Rs. 500 crore
 - Rs. 200 crore
 - Rs. 400 crore
 - Rs. 100 crore
- In 1975, a new set of banks called the Regional Rural Banks, were set up based on the recommendations of a working group headed by?
 - Shri Narasimham
 - Shri Rangrajan
 - Shri B.Sivaraman
 - Shri Sivaraman
 - Shri Vimal Jalan

10. Deposit Insurance Corporation of India was established in January 1962 to ensure the safety of deposits of small depositors in banks in India under which act?
 (a) Deposit Insurance Corporation Act, 1963
 (b) Deposit Insurance Corporation Act, 1954
 (c) Deposit Insurance Corporation Act, 1964
 (d) Deposit Insurance Corporation Act, 1961
 (e) Deposit Insurance Corporation Act, 1983
11. The Agricultural Refinance Corporation (ARC) was set up by the Reserve Bank in which year to provide funds by way of refinance.
 (a) 1969 (b) 1972 (c) 1983
 (d) 1976 (e) 1963
12. National Credit Council (NCC) set up in ____ to assist RBI & Govt. to allocate credit according to plan priorities.
 (a) 1978 (b) 1983 (c) 1982
 (d) 1968 (e) 1975
13. Board for Financial Supervision (BFS) was set up within RBI to attend exclusively to supervisory functions & provide effective supervision in an integrated manner over the banking system, financial institutions, NBFCs & other para-banking financial institutions. The Board was constituted in which year?
 (a) 1994 (b) 1997 (c) 1998
 (d) 1992 (e) 1987
14. The Banking Ombudsman Scheme was introduced under the provisions of which act?
 (a) Banking Regulation Act, 1942
 (b) Banking Regulation Act, 1949
 (c) Banking Regulation Act, 1945
 (d) Banking Regulation Act, 1952
 (e) Banking Regulation Act, 1955
15. Banking Codes and Standards Board of India (BCSBI) was set up by which bank in order to provide for voluntary registration of banks committing to provide customer services as per the agreed standards and codes?
 (a) Reserve Bank of India
 (b) State Bank of India
 (c) NABARD
 (d) Regional Rural Banks
 (e) None of these
16. SARFAESI Act, 2002 was enacted in March 2002. What is the full form of SARFAESI?
 (a) Securitization and Reconstruction of Fund Assets and Enforcement of Security Interest
 (b) Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest
 (c) Securitization and Reconstruction of Financial Assets and Equity of Security Interest
 (d) Securitization and Reconstruction of Financial Assets and Enforcement of Social Interest
 (e) Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest
17. Banks were advised to introduce a facility of 'no frills' account with nil or low minimum balances in
 (a) 2003 (b) 2004 (c) 2005
 (d) 2006 (e) 2008

Solutions

1. **(a):** First banks were the Bank of Hindustan, which was established in 1770 and liquidated in 1829–32; and the General Bank of India, established in 1786 but failed in 1791.
2. **(c):** General Bank of India, established in 1786 but failed in 1791.
3. **(a):** India's Oldest Joint Stock Bank which is still working is Allahabad Bank. It is also known as India's oldest public sector bank.
4. **(b):** To streamline the functioning and activities of commercial banks, the Government of India came up with the Banking Companies Act, 1949 which was later changed to Banking Regulation Act 1949 as per amending Act of 1965.
5. **(c):** On 1 July 1955, the Imperial Bank of India became the State Bank of India. In 2008, the Government of India acquired the Reserve Bank of India's stake in SBI so as to remove any conflict of interest because the RBI is the country's banking regulatory authority.
6. **(a):** In 1959, the government passed the State Bank of India (Subsidiary Banks) Act. This made eight banks that had belonged to princely states into subsidiaries of SBI. This was at the time of the first Five Year Plan, which prioritised the development of rural India.
7. **(d):** Government of India nationalized fourteen major Indian banks each having deposits of Rs. 50 crore and above on 19th July 1969.

- 8. (c):** 6 Banks with demand and time liabilities greater than Rs. 200 crore as on March 14, 1980 were nationalized on April 15, 1980.
- 9. (a):** The Narasimham Working Group (1975) conceptualized the creation of RRBs in 1975 as a new set of regionally oriented rural banks.
- 10. (d):** The Deposit Insurance Corporation (DIC) Bill was introduced in the Parliament on August 21, 1961. After it was passed by the Parliament, the Bill got the assent of the President on December 7, 1961 and the Deposit Insurance Act, 1961 came into force on January 1, 1962.
The Deposit Insurance Scheme was initially extended to functioning commercial banks only. This included the State Bank of India and its subsidiaries, other commercial banks and the branches of the foreign banks operating in India.
- 11. (e):** The Agricultural Refinance Corporation (ARC) was set up by the Reserve Bank in 1963 to provide funds by way of refinance.
- 12. (d):** The National Credit Council (NCC) was set up in February 1968 to assist the Reserve Bank and the Government to allocate credit according to plan priorities.
- 13. (a):** BFS was set up in November 1994 to provide guidance to RBI on financial supervision, which remains a cornerstone of banking regulation.
- 14. (b):** The Banking Ombudsman Scheme is introduced under Section 35 A of the Banking Regulation Act, 1949 by RBI with effect from 1995.
- 15. (a):** Reserve Bank of India (RBI) constituted the Committee on Procedures and Performance Audit of Public Services under the Chairmanship of Shri S.S. Tarapore (former Deputy Governor) to address the issues relating to availability of adequate banking services to the common person for the set up of BCSBI.
- 16. (e):** The Securitisation and Reconstruction of Financial Assets and Enforcement of Securities Interest Act, 2002 (also known as the SARFAESI Act) is an Indian law. It allows banks and other financial institution to auction residential or commercial properties (of Defaulter) to recover loans.
- 17. (c):** Banks were advised in November 2005 to make available a basic banking 'no-frills' account either with 'nil' or very low minimum balance as well as charges that would make such accounts accessible to vast sections of population.

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- Before 1949, all the commercial banks in India were exclusively owned, controlled and managed by private entrepreneurs. The process of **nationalization of banks began** with the nationalization of RBI on 1st Jan 1949, with the passing of Reserve Bank (Transfer of Public Ownership) Act, 1948.
- RBI was nationalized to ensure greater coordination of monetary, economic and fiscal policies in independent India.

Nationalization of SBI

- The first step towards the nationalisation of commercial banks started with **the nationalisation of the Imperial Bank of India as the State Bank of India on 1 July 1955.**
- After this the 7 State-associated banks were nationalised as subsidiaries of the State Bank of India in 1959.
- The 7 associate banks were– the State Bank of Hyderabad, the State Bank of Jaipur and Bikaner, the State Bank of Travancore, the State Bank of Mysore, the State Bank of Patiala, the State Bank of Indore, and the State Bank of Saurashtra.

Nationalization of Banks in 1969

On 19th July 1969, 14 major commercial banks with deposits exceeding Rs. 50 crores were nationalized.

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

Nationalization of Banks in 1980

On 15th April 1980, 6 more commercial banks were nationalized which were having the deposits above Rs.200 crores. The banks were:

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

Note: New Bank of India was merged with Punjab National Bank in 1993.

An Important Point

- Because of the nationalization, the major segment of the banking sector came under the control of the Government.
- The nationalization of banks imparted major impetus to branch expansion in unbanked, rural and semi-urban areas, which in turn resulted in huge deposit mobilization, thereby giving boost to the overall savings rate of the economy.
- It also resulted in scaling up of lending to agriculture and its allied sectors.

What were the possible OBJECTIVES of Nationalization?

- **The Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 under which 14 banks were nationalised with effect from 19 July 1969** spelt the main objective as “to serve better the needs of development of the economy in conformity with national policy and objectives and for matters connected therewith or incidental thereto”.
- These objectives included:

- To mobilise the savings of the people to the largest possible extent and to utilise them for productive purposes.
- To ensure the operations of the banking system for a larger social purpose and to subject them to close public regulation.
- To meet the legitimate credit needs of private sector industry and trade, big or small.
- To meet in an increasing manner the needs of productive sectors of the economy and in particular those of farmers, small scale industrialists and self-employed professional groups.
- To actively foster the growth of the new and progressive entrepreneurs and credit fresh opportunities for hitherto neglected and backward areas in different parts of the country
- To curb the use of bank credit for speculative and other unproductive purposes;
- To provide adequate training and reasonable terms of service to bank staff
- To considerably expand the branch network Of bank in all parts of the country, and
- To reduce regional and sectoral imbalance in banking and through that in economic development.

SBI Merger with its Associates

- Five associates & the Bharatiya Mahila Bank became part of the State Bank of India (SBI) on 1st April 2017, catapulting the country's largest lender to among the top 50 banks in the world.
- State Bank of Bikaner and Jaipur (SBBJ), State Bank of Hyderabad (SBH), State Bank of Mysore (SBM), State Bank of Patiala (SBP) and State Bank of Travancore (SBT), besides Bharatiya Mahila Bank (BMB), merged with SBI with effect from April 1,2017.
- The merged entity resulted in the deposit base of more than Rs 26 lakh crore and advances level of ₹18.50 lakh crore.
- Post-merger, the bank will rationalise its branch network by relocating some of the branches to maximise reach. This will help the bank optimise its operations and improve profitability, she said.

Exercise

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|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>1. New Bank of India was merged with which bank in 1993?
 (a) Punjab National Bank (b) State Bank of India
 (c) Bank of Allahabad (d) Bank of Bengal
 (e) None of these</p> <p>2. Under which Act, 14 banks were nationalized on 19 July 1969?
 (a) The Banking Companies (Acquisition and Transfer of Undertakings) Act, 19749
 (b) The Banking Companies (Acquisition and Transfer of Undertakings) Act, 1975
 (c) The Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970
 (d) The Banking Companies (Acquisition and Transfer of Undertakings) Act, 1964</p> | <p>(e) The Banking Companies (Acquisition and Transfer of Undertakings) Act, 1962</p> <p>3. Bank of Maharashtra was nationalized in which year?
 (a) 1969 (b) 1963 (c) 1975
 (d) 1966 (e) 1972</p> <p>4. Five associates & the Bharatiya Mahila Bank merged with SBI with effect from?
 (a) April 1,2013 (b) April 1,2015 (c) April 1,2014
 (d) April 1,2017 (e) April 1,2018</p> <p>5. Who was the first CEO of the Bharatiya Mahila Bank?
 (a) Usha Anantha Subramanian
 (b) Rajnish Kumar (c) Shikha Sharma
 (d) Sunil Mehta (e) Kalpana morparia</p> |
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Solutions

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| <p>1. (a): The Government of India nationalized New Bank of India in 1980. Punjab National Bank acquired New Bank of India in 1993.</p> <p>2. (c): commencement of The Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 acted as nationalization of Banks in 1969.</p> <p>3. (a): Bank of Maharashtra was nationalised in the year 1969 and accumulated a total turnover of Rs 13052.98 crores in the year 2016.</p> | <p>4. (d): The branches of 5 associate banks - State Bank of Bikaner and Jaipur, State Bank of Hyderabad, State Bank of Mysore, State Bank of Patiala and State Bank of Travancore started functioning as SBI branches from April 1,2017.</p> <p>5. (a): Usha Anantha subramanian as the first Chairman and Managing Director of the Bharatiya Mahila Bank, the country's first all-woman bank.</p> |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

- Financial System in a country comprises of various intermediaries who play crucial roles in sourcing out the funds from the surplus segment & deploying such funds to needy segments.
- The intermediaries are banks, financial institutions, mutual funds, etc.

Money Market

- Money market is a market for short-term financial assets that are close substitutes of money.
- The most important feature of a money market instrument is that it is liquid and can be turned into money quickly at low cost.
- The call/notice/Term money market forms an important segment of the Indian Money Market.
- **Under call money market**, funds are transacted on an overnight basis and **under notice money market**, funds are transacted for a period between 2 days and 14 days & **under the Term Money Market**, funds are transacted for a period between 15 days and 365 days.
- Scheduled commercial banks (excluding RRBs), co-operative banks (other than Land Development Banks) and Primary Dealers (PDs), **are permitted to participate in the call/notice money market both as borrowers and lenders.**

What are the Money Market Instruments?

Commercial Paper

- Commercial Paper (CP) is an unsecured money market instrument issued in the form of a promissory note.
- CP, as a privately placed instrument, was introduced in India in 1990 with a view to enable highly rated corporate borrowers to diversify their sources of short-term borrowings and to provide an additional instrument to investors.
- Primary Dealers (PDs) and all-India financial institutions (FIs) were also permitted to issue CP to enable them to meet their short-term funding requirements.

Who can issue CP?

- Companies, PDs and FIs are permitted to raise short term resources through CP.
- A company would be eligible to issue CP provided:
 - (a) the tangible net worth of the company, as per the latest audited balance sheet, is not less than Rs.4 crore;
 - (b) the company has been sanctioned working capital limit by bank/s or FIs; and
 - (c) The borrowing account of the company is classified as a Standard Asset by the financing bank/institution.

Important Key Points related to CP

- CP shall be issued in the form of a promissory note.
- CP shall be issued in denominations of Rs. 5 lakh and multiples thereof.
- CP shall be issued at a discount to face value as may be determined by the issuer.
- CP shall be issued for maturities between a minimum of 7 days and a maximum of up to one year from the date of issue.

Certificates of Deposit

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

Who can issue CDs?

- CDs can be issued by
 - (a) scheduled commercial banks {excluding Regional Rural Banks and Local Area Banks}
 - (b) select All-India Financial Institutions (FIs) that have been permitted by RBI to raise short-term resources within the umbrella limit fixed by RBI.

Important Key Points related to CDs

- Minimum amount of a CD should be Rs.1 lakh, and in multiples of Rs. 1 lakh thereafter.
- Maturity period of CDs issued by banks should not be less than 7 days and not more than one year, from the date of issue.
- FIs can issue CDs for a period not less than 1 year and not exceeding 3 years from the date of issue.
- CDs may be issued at a discount on face value.
- Banks / FIs should issue CDs only in dematerialised form.

Non-Convertible Debentures (NCDs) of original or initial maturity up to one year

- Non-Convertible Debenture (NCD) means a debt instrument issued by a corporate (including NBFCs) with original or initial maturity up to one year and issued by way of private placement.
- "Corporate" means a company as defined in the Companies Act, 2013 (including NBFCs) and a corporation established by an act of any Legislature.

Eligibility to issue NCDs

A corporate shall be eligible to issue NCDs if it fulfills the following criteria, namely,

- the corporate has a tangible net worth of not less than Rs.4 crore, as per the latest audited balance sheet;
- the corporate has been sanctioned working capital limit or term loan by bank/s or all-India financial institution/s; and
- The borrowal account of the corporate is classified as a Standard Asset by the financing bank/s or institution/s.
- NCDs shall not be issued for maturities of less than 90 days from the date of issue.
- NCDs may be issued in denominations with a minimum of Rs.5 lakh (face value) and in multiples of Rs.1 lakh.

Important Definitions in One Line

- "Call Money" means deals in overnight funds.
- "Notice Money" means deals in funds for 2 – 14 days.
- "Term Money" means deals in funds for 15 days-1 year.
- "Primary Dealer (PD)" means a financial institution which holds a valid letter of authorisation as a PD issued by the Reserve Bank.
- 'Issuing and Paying Agent (IPA)' means a Scheduled Bank acting as an IPA.
- 'CRA' means a Credit Rating Agency registered with Securities and Exchange Board of India.

What is Government Security (G-Sec)?

- It is a tradable instrument issued by the Central Government or the State Governments.
- It acknowledges the Government's debt obligation.
- These securities can be short term (usually called treasury bills, with original maturities of less than one year) or long term (usually called Government bonds or dated securities with original maturity of one year or more).
- G-Secs carry practically no risk of default and, hence, **are called risk-free gilt-edged instruments.**
- **Note:** In India, the Central Government issues both, treasury bills and bonds or dated securities while the State Governments issue only bonds or dated securities, which are called the State Development Loans (SDLs).

Treasury Bills (T-bills)

- Treasury bills or T-bills, which are money market instruments, are short term debt instruments issued by the Government of India and are presently issued in three tenors, namely, 91-day, 182 day and 364 day.
- These are zero coupon securities and pay no interest.
- They are issued at a discount and redeemed at the face value at maturity.

Cash Management Bills (CMBs)

- In 2010, Government of India, in consultation with RBI introduced a new short-term instrument, known as Cash Management Bills (CMBs), to meet the temporary mismatches in the cash flow of the Government of India.
- The CMBs have the generic character of T-bills but are issued for maturities less than 91 days.

Dated G-Secs

- Dated G-Secs are securities which carry a fixed or floating coupon (interest rate) which is paid on the face value, on half-yearly basis.
- Generally, the tenor of dated securities ranges from 5 years to 40 years.

Note:

- The Public Debt Office (PDO) of the Reserve Bank of India acts as the registry / depository of G-Secs and deals with the issue, interest payment and repayment of principal at maturity.

What are the Types of Government Bonds?

- **Fixed Rate Bonds:** These are bonds on which the coupon rate is fixed for the entire life (i.e. till maturity) of the bond.
- **Floating Rate Bonds (FRB):** FRBs are securities which do not have a fixed coupon rate. FRBs were first issued in September 1995 in India.
- **Zero Coupon Bonds:** Zero coupon bonds are bonds with no coupon payments.
- **Capital Indexed Bonds:** These are bonds, the principal of which is linked to an accepted index of inflation with a view to protecting the Principal amount of the investors from inflation.
- **Inflation Indexed Bonds (IIBs):** IIBs are bonds wherein both coupon flows and Principal amounts are protected against inflation. The inflation index used in IIBs may be Wholesale Price Index (WPI) or Consumer Price Index (CPI).
- **STRIPS (Separate Trading of Registered Interest and Principal of Securities):** STRIPS are the securities created by way of separating the cash flows associated with a regular G-Sec i.e. each semi-annual coupon payment and the final principal payment to be received from the issuer, into separate securities. They are essentially Zero-Coupon Bonds (ZCBs).

Sovereign Gold Bond (SGB)

- SGBs are unique instruments, prices of which are linked to commodity price viz Gold.
- SGBs are denominated in multiples of gram(s) of gold with a basic unit of 1 gram.
- The tenor of the SGB is for a period of 8 years with exit option from 5th year to be exercised on the interest payment dates.

Other Important Points related to Government Securities

What are the State Development Loans (SDLs)?

- State Governments also raise loans from the market which are called SDLs.
- SDLs are dated securities issued through normal auction similar to the auctions conducted for dated securities issued by the Central Government.
- Interest is serviced at half-yearly intervals and the principal is repaid on the maturity date.

What are Open Market Operations (OMOs)?

- OMOs are the market operations conducted by the RBI by way of sale/ purchase of G-Secs to/ from the market with an objective to adjust the rupee liquidity conditions in the market on a durable basis.
- When the RBI feels that there is excess liquidity in the market, it resorts to sale of securities thereby sucking out the rupee liquidity.
- Similarly, when the liquidity conditions are tight, RBI may buy securities from the market, thereby releasing liquidity into the market.

What is meant by repurchase (buyback) of G-Secs?

- Repurchase (buyback) of G-Secs is a process whereby the Government of India and State Governments buy back their existing securities, by redeeming them prematurely, from the holders.
- The objectives of buyback can be reduction of cost (by buying back high coupon securities), reduction in the number of outstanding securities and improving liquidity in the G-Secs market (by buying back illiquid securities) and infusion of liquidity in the system.

What is a Liquidity Adjustment Facility (LAF)?

- LAF is a facility extended by RBI to the scheduled commercial banks (excluding RRBs) and PDs to avail of liquidity in case of requirement or park excess funds with RBI in case of excess liquidity on an overnight basis against the collateral of G-Secs including SDLs.
- Basically, LAF enables liquidity management on a day to day basis.

How does Trading in G-Secs take place?

The securities can be traded in secondary market either through

- (i) Negotiated Dealing System-Order Matching (NDS-OM)**
- (ii) Over the Counter (OTC)**
- (iii) NDS-OM-Web.**

NDS-OM

- In August, 2005, RBI introduced an anonymous screen-based order matching module called NDS-OM.
- This is an order driven electronic system, where the participants can trade anonymously by placing their orders on the system or accepting the orders already placed by other participants.

Over the Counter (OTC)/ Telephone Market

- In this market, a participant, who wants to buy or sell a G-Sec, may contact a bank / PD/financial institution either directly or through a broker & negotiate price and quantity of security.
- Such negotiations are done on telephone and a deal may be struck if both counterparties agree on the amount and rate.

NDS-OM-Web

- RBI has launched NDS-OM-Web on June 29, 2012 for facilitating direct participation of gilt account holders (GAH) on NDS-OM through their primary members (PM) (as risk controller only and not having any role in pricing of trade).
- The GAH have access to the same order book of NDS-OM as the PM.
- GAH are in a better position to control their orders (place/modify/cancel/hold/release) and have access to real time live quotes in the market.

Who are the major players in the G-Secs market?

- Major players in the G-Secs market include commercial banks and PDs besides institutional investors like insurance companies.
- Other participants include co-operative banks, regional rural banks, mutual funds, provident and pension funds.
- Foreign Portfolio Investors (FPIs) are allowed to participate in the G-Secs market within the quantitative limits prescribed from time to time.
- Corporates also buy/ sell the G-Secs to manage their overall portfolio.

Role of the Clearing Corporation of India Limited (CCIL)

- The CCIL is the clearing agency for G-Secs. It acts as a Central Counter Party (CCP) for all transactions in G-Secs by interposing itself between two counterparties.
- In effect, during settlement, the CCP becomes the seller to the buyer and buyer to the seller of the actual transaction.
- All outright trades undertaken in the OTC market and on the NDS-OM platform are cleared through the CCIL.

What are the role and functions of FIMMDA?

- The Fixed Income Money Market and Derivatives Association of India (FIMMDA), an association of Scheduled Commercial Banks, Public Financial Institutions, Primary Dealers and Insurance Companies was incorporated as a Company under section 25 of the Companies Act,1956 on June 3, 1998.
- FIMMDA is a voluntary market body for the bond, money and derivatives markets. FIMMDA has members representing all major institutional segments of the market.
- The membership includes Nationalized Banks such as State Bank of India, its associate banks and other nationalized banks; Private sector banks such as ICICI Bank, HDFC Bank; Foreign Banks such as Bank of America, Citibank, Financial institutions such as IDFC, EXIM Bank, NABARD, Insurance Companies like Life Insurance Corporation of India (LIC), ICICI Prudential Life Insurance Company, Birla Sun Life Insurance Company and all Primary Dealers.

- FIMMDA represents market participants and aids the development of the bond, money and derivatives markets.
- It acts as an interface with the regulators on various issues that impact the functioning of these markets.
- It also undertakes developmental activities, such as, introduction of benchmark rates and new derivatives instruments, etc.

What is the Capital Market?

- It is a market where investors/ buyers, and issuers of securities/ sellers engage in issue/subscription/ trade of financial securities like shares, bonds etc.
- In this market, the long-term securities are traded.
- It consists of two types which are the Primary market and Secondary market.

Primary Market

- In this market, securities (shares, debentures, bonds etc) are offered to the public for the first time for subscription with a view to raise capital fund.
- In the primary market, issues are classified into public, rights or preferential issues (also known as private placements).
- The Public issues can be classified into Initial Public Offerings (IPOs) and Further/Follow-on Public Offerings (FPOs).
 - (a) When a company makes either a fresh issue of shares or an offer for sale of its existing shares or both for the first time to the public, it is called IPO.
 - (b) When a company which is already a listed company, either makes a fresh issue of securities to the public or an offer for sale to the public through an offer document, it is known as FPO.
- Rights Issue (RI) is one, when a listed company proposes to issue fresh securities to its existing shareholders as on a record date.
- A private placement is an issue of shares or of convertible securities by a company, to a select group of persons under the provisions of Section 81 of Indian Companies Act, 1956, which is neither a public issue nor a rights issue.

Secondary Market

- Once the securities are issued in the primary market and/or listed in the Stock Exchange, these can be traded in a market called the Secondary Market.
- It is a platform for the investors to buy and sell the securities.
- Secondary Market refers to a market where securities are traded after being initially offered to the public in the primary market and/or listed on the Stock Exchange.

What are the Instruments of Capital Market?

Equity: The ownership interest in a company of holders of its common and preferred stock.

Cumulative Preference Shares: A type of preference shares on which dividend accumulates if remains unpaid.

Cumulative Convertible Preference Shares: A type of preference shares where the dividend payable on the same accumulates, if not paid.

Debentures: Bonds issued by a company bearing a fixed rate of interest usually payable on specific dates and principal amount repayable on particular date on redemption of the debentures.

What is STT?

- Securities Transaction Tax (STT) is a tax being levied on all transactions done on the stock exchanges at rates prescribed by the Central Government from time to time.
- The Government of India notified the Securities Transaction Tax Rules, 2004 and STT came into effect from October 1, 2004.

Exercise

1. Which market is associated with the short-term financial assets that are close substitutes of money?
 - (a) Capital market
 - (b) Financial market
 - (c) Money market
 - (d) Commodities market
 - (e) None of these
2. Name the three sub-markets of the Indian Money Market?
 - (a) Call Money, Notice Money and Term Money markets
 - (b) Treasury bills, certificate of deposits, commercial papers
 - (c) Repurchase Agreements, Banker's Acceptance, Money Market Mutual Funds
 - (d) Participation Certificates, Collateralized Borrowing and Lending Obligation (CBLO), Repurchase Agreements
 - (e) None of these
3. Under the call money market, funds are transacted on what basis?
 - (a) one Day basis (b) Overnight basis
 - (c) 7 days basis (d) 15 days basis (e) None of these
4. Under notice money market, funds are transacted for a period between?
 - (a) 2 days and 14 days
 - (b) 1 day and 15 days
 - (c) 14 days and 30 days
 - (d) 30 days and 365 days
 - (e) 2 days and 15 days
5. Funds under the Term Money Market are transacted for a period between?
 - (a) 30 days and 365 days
 - (b) 2 days and 14 days
 - (c) 15 days and 365 days
 - (d) 1 day and 14 days
 - (e) None of these
6. Name the Money Market Instruments which is an unsecured money market instrument issued in the form of a promissory note?
 - (a) Government Security (G-Sec)
 - (b) Call money
 - (c) Government bonds
 - (d) Certificate of Deposit (CD)
 - (e) Commercial Paper (CP)
7. Which financial institutions are permitted to participate in the call/notice money market both as borrowers and lenders?
 - (a) Scheduled commercial banks (excluding RRBs), co-operative banks (other than Land Development Banks) and Primary Dealers (PDs)
 - (b) Scheduled commercial banks only
 - (c) Regional Rural Bank
 - (d) co-operative banks only
 - (e) none of these
8. Primary Dealers (PDs) and all-India financial institutions (FIs) were also permitted to issue Commercial Paper (CP) to enable them to meet their ____ funding requirements.
 - (a) Short-term (b) Long term (c) 15 days
 - (d) 30 days (e) None of these
9. CP shall be issued in denominations of?
 - (a) 2 lakh and multiple
 - (b) 10 lakh and multiple
 - (c) Rs. 5 lakh and multiples thereof
 - (d) 1 lakh and multiple
 - (e) None of these
10. Name the negotiable money market instrument which is issued in dematerialised form or as a Usance Promissory Note against funds deposited at a bank or other eligible financial institution for a specified time period?
 - (a) Cash Management Bills
 - (b) Commercial Paper (CP) (c) Call money
 - (d) Certificate of Deposit (CD) (e) None of these
11. What should be the minimum amount of a Certificate of Deposit (CD)?
 - (a) Rs.1 lakh (b) Rs.2 lakh (c) Rs.3 lakh
 - (d) Rs.4 lakh (e) None of these
12. Maximum maturity period of CDs issued by banks is?
 - (a) 15 days (b) 30 days (c) 1 Year
 - (d) 1 week (e) None of these
13. Financial Institutions (FIs) can issue CDs for a period not less than 1 year and not exceeding ____ from the date of issue.
 - (a) 1 years (b) 2 years (c) 5 years
 - (d) 4 years (e) 3 years
14. Non-Convertible Debenture (NCD) is a debt instrument issued by?
 - (a) co-operative banks (other than Land Development Banks)
 - (b) Scheduled commercial banks (excluding RRBs),
 - (c) Corporate (including NBFCs)
 - (d) Primary Dealers (PDs)
 - (e) None of these

- 15.** Minimum maturity period of Non-Convertible Debenture (NCD)?
 (a) 15 days (b) 30 days (c) 365 days
 (d) 90 days (e) 7 days
- 16.** Non-Convertible Debenture (NCD) may be issued in denominations with a minimum amount of?
 (a) Rs.10 lakh (b) Rs.1 lakh (c) Rs.50,000
 (d) Rs.5 lakh (e) None of these
- 17.** Primary Dealer (PD) is a financial institution which holds a valid letter of authorisation as a PD issued by?
 (a) The Reserve Bank of India
 (b) Securities and Exchange Board of India
 (c) Government of India
 (d) Public sector banks
 (e) None of these
- 18.** What is the full form of 'IPA'?
 (a) International payment agent
 (b) Issuing and payable agent
 (c) Issuing and Paying Agent
 (d) Issuing payable authority
 (e) None of these
- 19.** 'CRA' means a Credit Rating Agency registered with?
 (a) Companies act 2013
 (b) The Reserve Bank of India
 (c) Government of India
 (d) Finance ministry
 (e) Securities and Exchange Board of India
- 20.** A tradeable instrument issued by the Central Government or the State Governments is known as?
 (a) Government Security (G-Sec)
 (b) Call money
 (c) Bonds
 (d) stocks
 (e) draft
- 21.** _____ are called as risk-free gilt-edged instruments.
 (a) Government Security (G-Sec)
 (b) Call money
 (c) Government bonds
 (d) Certificate of Deposit (CD)
 (e) None of these
- 22.** Treasury bills or T-bills are short term debt instruments issued by the Government of India and are presently issued in three tenors, namely?
 (a) 30 day, 90 day and 180 day
 (b) 91 day, 182 day and 364 day
 (c) 15 days, 45 days and 60 days
 (d) 7 days 28 days and 35 days
 (e) None of these
- 23.** What is the full form of CMBs?
 (a) Cheque management bill
 (b) Cash monetary bills
 (c) Credit management bills
 (d) Credit monetary bills
 (e) Cash Management Bills
- 24.** What is the tenor of Dated G-Secs securities ranges from?
 (a) 3 years to 10 years
 (b) 1 years to 20 years
 (c) 5 years to 40 years
 (d) 5 years to 10 years
 (e) 7 days to 40 years
- 25.** Sovereign Gold Bond (SGB) are denominated in multiples of gram(s) of gold with a basic unit of?
 (a) 2 gram (b) 1 gram (c) 3 gram
 (d) 5 gram (e) 30 gram
- 26.** The loans raised by State Governments from the market are called?
 (a) Indian financial market
 (b) syndicated loan market
 (c) India personal loan market
 (d) State Development Loans (SDLs)
 (e) Corporate market
- 27.** OMOs are the market operations conducted by?
 (a) Government of India
 (b) The Reserve Bank of India
 (c) Finance ministry
 (d) SBI
 (e) Corporate ministry
- 28.** LAF is a facility extended by RBI to the scheduled commercial banks (excluding RRBs) and PDs to avail of liquidity in case of requirement. What is the full form of LAF?
 (a) Liquidity adjustment fund
 (b) Leverage adjustment facility
 (c) Liquidity Adjustment Facility
 (d) Liquidity accounts fund
 (e) None of these
- 29.** RBI has launched NDS-OM-Web on?
 (a) June 21, 2012 (b) June 30, 2012 (c) June 25, 2012
 (d) June 29, 2013 (e) June 29, 2012
- 30.** The CCIL is the clearing agency for G-Secs, full form of CCIL is?
 (a) Clean Corporation of India Limited
 (b) Cleaning Corporation of India Limited
 (c) Clearing company of India Limited
 (d) Clearing Corporation of India Limited
 (e) Clearing committee of India Limited

31. The Fixed Income Money Market and Derivatives Association of India (FIMMDA) was incorporated as a Company under section 25 of the Companies Act, 1956 on?
 (a) June 5, 1999 (b) June 30, 1998 (c) June 3, 1998
 (d) June 1, 1998 (e) None of these
32. Name the market which deals with the trading of long-term securities?
 (a) Money market
 (b) Capital Market
 (c) syndicated loan market
 (d) India personal loan market
 (e) Indian financial market
33. Capital Market consists of two types of markets, namely?
 (a) Loan market and money market
 (b) Money market and India personal loan market
 (c) Primary market and money market
 (d) Primary market and Secondary market
 (e) None of these
34. The Public issues can be classified into?
 (a) Initial Public Offerings (IPOs)
 (b) Further/Follow-on Public Offerings (FPOs)
 (c) both a & b
 (d) Mostly a and sometimes b also
 (e) Mostly b and sometimes a also
35. A market where securities are traded after being initially offered to the public in the primary market and/or listed on the Stock Exchange is known as?
 (a) Syndicate market
 (b) Statuary market
 (c) Loan market
 (d) Secondary Market
 (e) None of these
36. What are the Instruments of Capital Market?
 (a) Equity,
 (b) Cumulative Preference Shares,
 (c) Cumulative Convertible Preference Shares,
 (d) Debentures
 (e) All of the above
37. STT is a tax being levied on all transactions done on the stock exchanges at rates prescribed by the Central Government from time to time, full form of STT is?
 (a) Securities Transaction Tax
 (b) Securities Tariff tax
 (c) semi Transaction tax
 (d) Secondary Transaction tax
 (e) None of these
38. What is the function of the Financial market?
 (a) Involve the movement of money
 (b) regulates the market
 (c) issue fresh capital
 (d) deals in short funds
 (e) None of these
39. What is the effect of decrease in capital on the market?
 (a) decrease in availability
 (b) decrease in interest rate
 (c) increase in availability
 (d) increase in interest rate
 (e) none of these
40. Type of trading in which trading who takes position every day and also liquidate it on same day is called as
 (a) broker traders
 (b) day traders
 (c) commercial traders
 (d) non-position traders
 (e) none of these

Solutions

1. **(c):** The **money market** is the trade in short-term debt investments. At the wholesale level, it involves large-volume trades between institutions and traders.
2. **(a):** Call Money, Notice Money and Term Money markets are sub-markets of the Indian Money Market. These refer to the markets for very short term funds
3. **(b):** Call money is any type of short-term, interest-earning financial loan that the borrower has to pay back immediately whenever the lender demands it.
4. **(a):** The call/notice money market forms an important segment of the Indian Money Market. Under call money market, funds are transacted on an overnight basis and under notice money market, funds are transacted for --a period between 2 days and 14 days.
5. **(c):** Term Money refers to borrowing/lending of funds for period between 15 days and one year.
6. **(e):** Commercial paper is an unsecured, short-term debt instrument issued by a corporation, typically for the financing of accounts payable and inventories and meeting short-term liabilities

7. **(a):** The call/notice/term money market facilitates lending and borrowing of funds between banks and entities like Primary Dealers. An institution which has surplus funds may lend them on an uncollateralized basis to an institution which is short of funds. Money market transactions are categorized as follows:
- Borrowing/Lending for 1 day is known as Call Money
 - Borrowing/Lending for 2-14 days is known as Notice Money
 - Borrowing/Lending for more than 14 days is known as Term Money
8. **(a):** CP can be issued for maturities between a minimum of 7 days and a maximum of up to one year from the date of issue. However, the maturity date of the CP should not go beyond the date up to which the credit rating of the issuer is valid.
9. **(c):** CP can be issued in denominations of Rs.5 lakh or multiples thereof.
10. **(d):** A certificate of deposit (CD) is a product offered by banks and credit unions that offers an interest rate premium in exchange for the customer agreeing to leave a lump-sum deposit untouched for a predetermined period of time.
11. **(a):** Minimum amount of a CD should be Rs.1 lakh, i.e., the minimum deposit that could be accepted from a single subscriber should not be less than Rs.1 lakh, and in multiples of Rs. 1 lakh thereafter.
12. **(c):** A Certificate of Deposit **issued** by the commercial **banks** can have **maturity period** ranging from 7 days to 1 year.
13. **(e):** A Certificate of Deposit **issued** by the commercial **banks** can have **maturity period** ranging from 7 days to 1 year.
14. **(c):** Non-convertible debentures (NCD) are fixed-income instruments, usually issued by high-rated companies in the form of a public issue to accumulate long-term capital appreciation. They offer relatively higher interest rates when compared to convertible debentures.
15. **(d):** **Maturities** range from 90 days to as long as 10 or even 30 years
16. **(d):** NCDs may be issued in denominations with a **minimum** of Rs. 5 lakh (face **value**) and in multiples of Rs. 1 lakh.
17. **(a):** **Primary Dealer (PD)** means a **financial institution which holds a valid letter of authorisation as a PD issued** by the Reserve Bank
18. **(c):** IPAs are commercial banks used by the issuer to facilitate MMI debt instructions including maturity obligations, Principle and Income **Payment (P&I)**, and Reorganization (RP) payments to investors.
19. **(e):**
20. **(a):** A Government Security (G-Sec) is a tradeable instrument issued by the Central Government or the State Governments. It acknowledges the Government's debt obligation. Such securities are short term (usually called treasury bills, with original maturities of less than one year) or long term (usually called Government bonds or dated securities with original maturity of one year or more).
21. **(a):** In India, the Central Government issues both, treasury bills and bonds or dated securities while the State Governments issue only bonds or dated securities, which are called the State Development Loans (SDLs). G-Secs carry practically no risk of default and, hence, are called risk-free gilt-edged instruments.
22. **(b):** Treasury bills or T-bills, which are money market instruments, are short term debt instruments issued by the Government of India and are presently issued in three tenors, namely, 91 day, 182 day and 364 day.
23. **(e):** Government of India, in consultation with RBI introduced a new short-term instrument, known as Cash Management Bills (CMBs), to meet the temporary mismatches in the cash flow of the Government of India. The CMBs have the generic character of T-bills but are issued for maturities less than 91 days.
24. **(c):** G-Secs are securities which carry a fixed or floating coupon (interest rate) which is paid on the face value, on half-yearly basis. Generally, the tenor of dated securities ranges from 5 years to 40 years.
25. **(b):** To be issued by Reserve Bank India on behalf of the Government of India. The Bonds will be **denominated in multiples of gram(s) of gold with a basic unit** of 1 gram. The tenor of the **Bond** will be for a period of 8 years with exit option in 5th, 6th and 7th year, to be exercised on the interest payment dates.

- 26. (d): State Development Loans (SDLs)** are **market** borrowings by **state governments**. Generally, the coupon rates on **State Development Loans** are higher than those of **government** securities (popularly **called** G-secs) of the same maturity.
- 27. (b):** An open market operation (**OMO**) is an activity by a central bank to give (or take) liquidity in its currency to (or from) a bank or a group of banks.
- 28. (c):** A liquidity adjustment facility (**LAF**) is a tool used in monetary policy, primarily by the Reserve Bank of India (**RBI**), that allows banks to borrow money through repurchase agreements (**repos**) or for banks to make loans to the **RBI** through reverse repo agreements. This arrangement manages liquidity pressures and assures basic stability in the financial markets
- 29. (e):** The **RBI** had **introduced** the **NDS-OM** system in August 2005. The **NDS-OM** is an electronic, screen based, anonymous, order driven trading system for dealing in government securities.
- 30. (d):** The Clearing Corporation of India Ltd. (**CCIL**) was set up in 2001 commenced business operations in the securities market on February 15, 2002. **CCIL** provides an institutional infrastructure for the Clearing and Settlement of transactions by banks, financial institutions and primary dealers, in Government Securities, Money Market instruments, Foreign Exchange and other related products
- 31. (c):** The **Fixed Income Money Market and Derivatives Association of India (FIMMDA)**, an **association** of Commercial Banks, Financial Institutions and Primary Dealers, was **incorporated as a Company under section 25 of the Companies Act, 1956** on June 3rd, 1998 that deals in **interest rate**, currencies and commodity **derivatives**.
- 32. (b):** the part of a financial system concerned with raising capital by dealing in shares, bonds, and other long-term investments.
- 33. (d): Capital Market.** There are broadly **two types** of financial **markets** in an economy – **capital market** and **money market**. Now **capital market** deals in financial instruments and commodities that are long-term securities. **Capital markets** perform the same functions as the **money market**.
- 34. (c):** The Public issues can be classified into Initial Public Offerings (**IPOs**) and Further/Follow-on Public Offerings (**FPOs**).
- 35. (d): Capital Market.** **Secondary Market** refers to a **market where securities are traded after being initially offered to the public in the primary market and/or listed on the stock exchange**.
- 36. (e):** Capital markets are perhaps the most widely followed markets. Both the stock and bond markets are closely followed, and their daily movements are analyzed as proxies for the general economic condition of the world markets. As a result, the institutions operating in capital markets—stock exchanges, commercial banks, and all types of corporations, including non-bank institutions such as insurance companies and mortgage banks—are carefully scrutinized.
- 37. (a): Securities transaction tax (STT)** is a **tax** levied at the time of purchase and sale of **securities** listed on stock exchanges in India
- 38. (a):** Financial Markets is the market, an arrangement or institution where the traders are involved in the buying and selling of the financial assets like shares, bonds, derivatives, commodities, currencies, etc
- 39. (d): In financial markets, decrease in investment results** in increase in interest rate. An interest rate is the amount of interest due per period, as a proportion of the amount lent, deposited or borrowed.
- 40. (b):** Day traders are active traders who execute intraday strategies to profit off price changes for a given asset.



India Infrastructure Finance Company Limited (IIFCL)

- IIFCL is a **wholly-owned Government of India company** set up in 2006 to provide **long-term financial assistance to viable infrastructure projects through** the Scheme for Financing Viable Infrastructure Projects through a Special Purpose Vehicle called India Infrastructure Finance Company Ltd (IIFCL), broadly referred to as SIFTI.
- The sectors eligible for financial assistance from IIFCL includes transportation, energy, water, sanitation, communication, social and commercial infrastructure.
- The authorized and paid up capital of the company as on 31st March 2017 stood at Rs. 6,000 Crore and Rs. 4,002 Crore, respectively.

Vision of IIFCL

"Provide innovative financing solutions to promote and develop world class infrastructure in India."

Mission of IIFCL

"To adopt best practices in financing infrastructure and develop core competencies in facilitating infrastructure development. Develop a team of highly engaged employees to deliver services in a professional manner and to the satisfaction of all stakeholders."

Note: Shri Pankaj Jain is the Managing Director, IIFCL.

What IIFC does?

- It is engaged in providing long term financial assistance to commercially viable infrastructure projects with overriding priority PPP projects in the country in designated sectors such as
- Road and bridges, railways, seaports, airports, inland waterways, urban transport and other transportation projects
- Power (Generation, Transmission and Distribution)
- Water supply, sewage collection, treatment and disposal system, solid waste management and other physical infrastructure in urban areas.
- Gas pipelines
- Education Institutions, Hospitals, Convention centres, Hotels, Cold storage chains, Soil testing laboratories.

Export-Import Bank of India (EXIM Bank)

- Established by the Government of India, it commenced operations in 1982 under the Export-Import Bank of India Act, 1981 as a purveyor of export credit, mirroring global Export Credit Agencies.
- It provides a wide range of products and services which includes import of technology & export product development, export production, export marketing, pre-shipment and post-shipment and overseas investment.

Current Chairman

- Shri. R.C. Shah was the first Chairman and Managing Director (CMD) from 1982 - 1985.
- Shri David Rasquinha was appointed the Managing Director of Exim Bank from August 2017.
- MR. DEBASISH MALLICK is the Deputy Managing Director.(as on 17, Feb, 2020)
- Board comprises 12 directors appointed by the Government of India, including the Chairman and Managing Director.

Objectives of EXIM Bank

- Providing financial assistance to exporters and importers
- Functioning as the principal financial institution for coordinating the working of institutions engaged in financing export and import of goods and services with a view to promoting the country's international trade.
- Act on business principles with due regard to public interest.

Small Industries Development Bank of India (SIDBI)

- SIDBI set up on 2nd April 1990 under an Act of Indian Parliament to act as the Principal Financial Institution for Promotion, Financing & Development of the Micro, Small and Medium Enterprise (MSME) sector as well as for co-ordination of functions of institutions engaged in similar activities.
- SIDBI has been working towards the sustainable development of MSME sector.
- These include the innovative Credit Plus model, where credit is supplemented with advisory and mentoring facilities to MSMEs.
- Some of SIDBI's other revolutionary initiatives include the MFI-led Microfinance movement in India that has nurtured and strengthened more than 100 MFIs and facilitated creation of SFBs, introducing a culture of energy efficient and sustainable finance for the MSME sector.

Mission of SIDBI

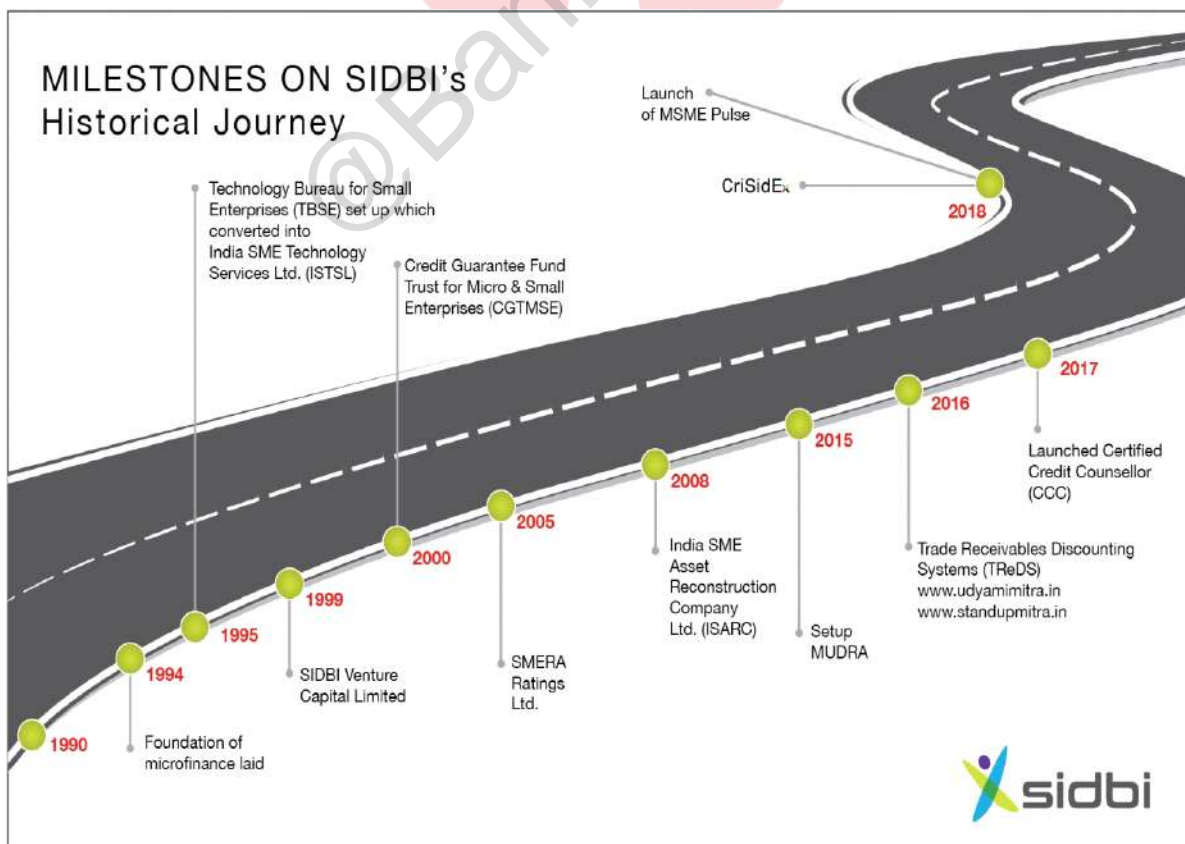
- To facilitate and strengthen credit flow to MSMEs and address both financial and developmental gaps in the MSME eco-system

Vision of SIDBI

- To emerge as a single window for meeting the financial and developmental needs of the MSME sector.
- To make it strong, vibrant and globally competitive, to position SIDBI Brand as the preferred and customer - friendly institution.

Note:

- Shri Mohammad Mustafa is the current Chairman & Managing Director of SIDBI.
- Shri Manoj Mittal is the Deputy Managing Director. (as on 12-february-2020)



Major Shareholders of SIDBI (As on November 1, 2019)

Sl. No.	Name of the Shareholder	%
1	State Bank of India	16.73
2	Government of India	15.40
3	Life Insurance Corporation of India	14.25
4	National Bank for Agriculture & Rural Development	10.00

NHB (National Housing Bank)

- The Committee of Secretaries set up the High-Level Group under the Chairmanship of Dr. C. Rangarajan, the then Deputy Governor, RBI to examine the proposal and recommended the setting up of National Housing Bank as an autonomous housing finance institution.
- The recommendations of the High-Level Group were accepted by the Government of India.
- The Hon'ble PM, while presenting the Union Budget for 1987-88 on February 28, 1987 announced the decision to establish the National Housing Bank (NHB) as an apex level institution for housing finance.
- The National Housing Policy, 1988 envisaged the setting up of NHB as the Apex level institution for housing.
- NHB was set up on July 9, 1988 under the National Housing Bank Act, 1987.
- NHB was wholly owned by Reserve Bank of India, which contributed the entire paid-up capital. But in 2019 The Reserve Bank has exited the National Housing Bank (NHB) With this divestment, the government now holds 100 percent stake in financial institution.
- The general superintendence, direction and management of the affairs and business of NHB vest, under the Act, in a Board of Directors.
- The Head Office of NHB is at New Delhi.

Preamble of NHB

- The Preamble of the National Housing Bank Act, 1987 describes the basic functions of the NHB as – “To operate as a principal agency to promote housing finance institutions both at local and regional levels and to provide financial and other support to such institutions and for matters connected therewith or incidental thereto”

Vision of NHB

- “Promoting inclusive expansion with stability in housing finance market”

Mission of NHB

- “To harness and promote the market potentials to serve the housing needs of all segments of the population with the focus on low and moderate-income housing”.

Objectives of NHB

- To promote a sound, healthy, viable and cost-effective housing finance system to cater to all segments of the population and to integrate the housing finance system with the overall financial system.
- To promote a network of dedicated housing finance institutions to adequately serve various regions and different income groups.
- To augment resources for the sector and channelize them for housing.
- To make housing credit more affordable.
- To regulate the activities of housing finance companies based on regulatory and supervisory authority derived under the Act.
- To encourage augmentation of supply of buildable land and also building materials for housing and to upgrade the housing stock in the country.
- To encourage public agencies to emerge as facilitators and suppliers of serviced land, for housing.

Note: Sh. S.K. Hota is the Managing Director of National Housing Bank.(as on 12-february-2020)



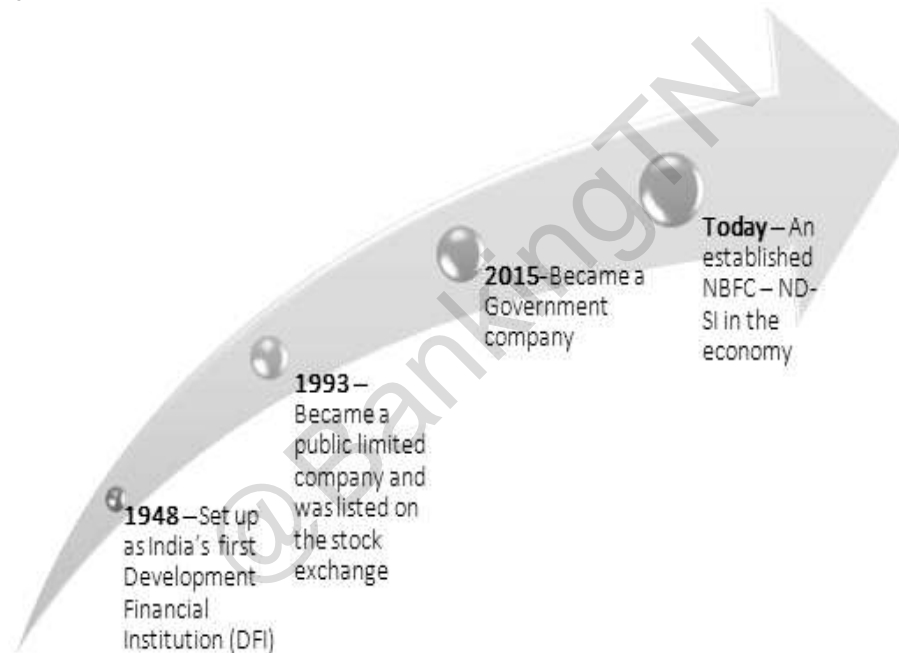
Industrial Finance Corporation of India (IFCI)

- It is a Non-Banking Finance Company in the public sector.
- Established in 1948 as a statutory corporation.
- IFCI manages seven number of subsidiaries and one associate under its fold.
- It provides financial support for the diversified growth of Industries across the spectrum. The financing activities cover various kinds of projects such as airports, roads, telecom, power, real estate, manufacturing, services sector and such other allied industries.
- The company has played a pivotal role in setting up various market intermediaries of repute in several niche areas like stock exchanges, entrepreneurship development organizations, consultancy organizations, educational and skill development institutes across the length and breadth of the country.

Corporate Strategy

- To be a solution provider to various financial needs of the industry
- To remain competitive, competent and sensitive to the economic growth of the Country
- To design customer focused solutions
- To enhance the reputation and image of IFCI

IFCI: The Journey over the 70 Years



Dr. Emandi Sankara Rao is the Current MD & CEO. (as on 12-february-2020)

Vision

- To be the leading development institution for industrial and infrastructure sectors across the spectrum and be an influential partner in country's economic growth and development.

Mission

- To adopt the best practices in financing industry and infrastructure and leverage core competencies in promoting sustainable industrial and infrastructure development in the country.
- To act as a competitive, client friendly and development-oriented organization delivering financial products and services to the satisfaction of all stakeholders.

Exercise

1. What is the full form of IIFCL?
 - (a) India Infrastructure Finance Company Limited
 - (b) International Infrastructure Finance Company Limited
 - (c) India Infrastructure Finance corporate Limited
 - (d) International Infrastructure Finance corporate Limited
 - (e) None of these
2. IIFCL was set up in which year?
 - (a) 2009 (b) 2007 (c) 2006
 - (d) 2005 (e) None of these
3. IIFCL is a wholly-owned Government of India company set up to provide
 - (a) long-term financial assistance
 - (b) short-term financial assistance
 - (c) Mid term financial assistance
 - (d) Financial assistance to msme's
 - (e) None of these
4. The authorized capital of the company as on 31st March 2018 stood at Rs ___ Crore.
 - (a) 7000 crore (b) 5000 crore (c) 1000 crore
 - (d) Rs 6,000 Crore (e) None of these
5. The paid-up capital of the company as on 31st March 2018 stood at Rs ___ Crore.
 - (a) 4,102 Crore (b) 5000 crore (c) 3000 crore
 - (d) 1500 crore (e) none of these
6. Who is the Managing Director, IIFCL?
 - (a) M R Kumar
 - (b) Rajnish kumar
 - (c) Pankaj Jain
 - (d) Rajesh Kandwal
 - (e) Deepak Singhal
7. Export-Import Bank of India is the premier export finance institution in India and it was established in
 - (a) 1983 (b) 1982 (c) 1984
 - (d) 1985 (e) None of these
8. Export-Import Bank of India, it commenced operations under which act?
 - (a) Export-Import Bank of India Act, 1990
 - (b) Export-Import Bank of India Act, 1982
 - (c) Export-Import Bank of India Act, 1984
 - (d) Export-Import Bank of India Act, 1983
 - (e) Export-Import Bank of India Act, 1981
9. Who was the first Chairman and Managing Director (CMD) from 1982 - 1985 of Export-Import Bank of India?
 - (a) R.C. Shah (b) M R Kumar (c) Kewal Handa
 - (d) Rajkiran Rai G. (e) Manas Ranjan Biswal
10. Who is the present Managing Director of Exim Bank?
 - (a) Rajiv Kumar Singh
 - (b) Madnesh Kumar Mishra
 - (c) Arun Kumar Singh
 - (d) David Rasquinha
 - (e) None of these
11. Who is the Deputy Managing Director of EXIM Bank?
 - (a) shri N. Ramesh
 - (b) Mr. Debasish Mallick
 - (c) Rajkiran Rai G
 - (d) Rakesh Sharma
 - (e) M. Senthilnathan
12. Where is the headquarter of EXIM Bank?
 - (a) Delhi (b) Kolkata (c) Mumbai
 - (d) Chennai (e) None of these
13. What is the full form of SIDBI?
 - (a) Small Industries Development Bank of India
 - (b) Short term Industries Development Bank of India
 - (c) Short Indian Development Bank of India
 - (d) Semi Industries Development Bank of India
 - (e) None of these
14. SIDBI was set up in which year?
 - (a) 1989 (b) 1991 (c) 1995
 - (d) 1994 (e) 1990
15. Who is the Chairman and Managing Director of SIDBI?
 - (a) Sivasubramanian Ramann (b) Mohammad Mustafa
 - (c) Ajay Tyagi
 - (d) Y. C. Modi (e) Kuldiep Singh
16. Where is the headquarter of SIDBI?
 - (a) Chennai (b) Mumbai (c) Kolkata
 - (d) Delhi (e) Lucknow
17. Who has the majority shareholder in SIDBI?
 - (a) SEBI (b) RBI (c) GOI
 - (d) State Bank of India (e) None of these
18. What is the authorized capital of SIDBI?
 - (a) Rs 1000 crore (b) 1500 crore (c) 2000 crore
 - (d) 3000 crore (e) None of these
19. What is the paid-up capital of SIDBI?
 - (a) Rs 450 crore (b) Rs 300 crore (c) Rs 500 crore
 - (d) Rs 200 crore (e) Rs 100 crore
20. When did National Housing Bank set up?
 - (a) 9th July 1989
 - (b) 9th June 1988
 - (c) 9th July 1988
 - (d) 9th June 1989
 - (e) None of these

21. Who was the chairman of high-level group who recommended the set of National Housing Bank (NHB)?
 (a) Dr. C. Rangarajan
 (b) Manoj Kumar Meena
 (c) Seema Rekha Bhuyan
 (d) Kuldip Narayan
 (e) Manohar Miryala
22. Under which act National Housing Bank was set up as an apex institute of housing finance in the country?
 (a) National Housing Bank Act, 1989
 (b) National Housing Bank Act, 1988
 (c) National Housing Bank Act, 1986
 (d) National Housing Bank Act, 1987
 (e) None of these
23. Who is the largest shareholder of National Housing Bank?
 (a) GOI (b) RBI (c) SIDBI
 (d) SEBI (e) SBI
24. Where does headquarters of National Housing Bank situated?
 (a) Mumbai (b) Lucknow (c) New Delhi
 (d) Kolkata (e) Chennai
25. Who is the current MD and CEO of National Housing Bank?
 (a) Dakshita Das (b) David Rasquinha (c) Harsh Kumar Bhanwala
 (d) Ajay Tyagi (e) None of these
26. Industrial Finance Corporation of India (IFCI) was established in
 (a) 1990 (b) 1955 (c) 1949
 (d) 1948 (e) 1962
27. Who is the Current MD & CEO IFCI?
 (a) Dr. Emandi Sankara Rao
 (b) Sanjeev Kumar Jain
 (c) Suneet Shukla
 (d) Sunil Kumar Bansal
 (e) Dinesh Kumar Namdeo

Solutions

1. **(a):** IIFCL is a wholly-owned Government of India company set up in 2006 to provide long term finance to viable infrastructure projects through the Scheme for Financing Viable Infrastructure Projects through a Special Purpose Vehicle called India Infrastructure Finance Company Ltd (IIFCL),
2. **(c):** IIFCL is a wholly-owned Government of India company set up in 2006
3. **(a):** IIFCL is a wholly-owned Government of India company set up in 2006 to provide long term finance
4. **(d):** IIFCL has been registered as a NBFC-ND-IFC with RBI since September 2013. The authorized and paid up capital of the company as on 31st March 2018 stood at Rs 6,000 Crore
5. **(a):** IIFCL has been registered as a NBFC-ND-IFC with RBI since September 2013. The authorized and paid up capital of the company as on 31st March 2018 stood at Rs 6,000 Crore and Rs 4,102 Crore,
6. **(c): Pankaj Jain** assumes charge as IIFCL Managing Director. **Pankaj Jain, Joint Secretary** in the Department of Financial Services (DFS), has assumed charge as the Managing Director of India Infrastructure Finance Company Ltd (IIFCL)
7. **(b):** Export Import Bank of India is the premier export finance institution in India, established in 1982
8. **(e):** Export Import Bank of India is the premier export finance institution in India, established in 1982 under the Export-Import Bank of India Act 1981.
9. **(a):** Shri R.C. Shah, a seasoned banker, with vast commercial and international banking experience, was the first Chairman and Managing Director of Exim Bank during January 1982-January 1985.
10. **(d):** David Rasquinha appointed as managing director of Export-Import Bank of India (Exim Bank).
11. **(a):** Shri N. Ramesh is Deputy Managing Director of India Exim Bank.
12. **(c):** The headquarters of EXIM bank is in Mumbai.
13. **(a):** Small Industries Development Bank of India (SIDBI)
14. **(e):** Small Industries Development Bank of India (SIDBI), set up on April 2, 1990 under an Act of Indian Parliament
15. **(a):** Sivasubramanian Ramann is the Chairman and Managing Director of Small Industries Development Bank of India (SIDBI)

- 16. (e):** To promote, finance and for developing Micro, Small and Medium Enterprises (MSME) in India, the Small Industries Development Bank of India (SIDBI) was set up on April 2, 1990 through an act of parliament. The headquarters of SIDBI is in Lucknow.
- 17. (d):** State Bank of India is the largest individual shareholder of SIDBI with holding of 16.73% shares
- 18. (a):** the **Authorised Capital of SIDBI** is 1000 crore
- 19. (a):** the **Authorised Capital of SIDBI** is 1000 crore and Paid Up **Capital** is 450 crore
- 20. (c):** The **National Housing Bank (NHB) was set up** on July 9, 1988 under the **National Housing Bank Act, 1987** as the Apex level institution for **housing finance**.
- 21. (c):** The Committee of Secretaries considered the recommendation and set up the High Level Group under the Chairmanship of Dr. C. Rangarajan, the then Deputy Governor, RBI to examine the proposal and recommended the setting up of National Housing Bank as an autonomous housing finance institution.
- 22. (d):** The **National Housing Bank (NHB) was set up** on July 9, 1988 under the **National Housing Bank Act, 1987** as the Apex level institution for **housing finance**.
- 23. (a):** the Government of India now holds 100% stake in NHB
- 24. (c):** The Head Office of NHB is at New Delhi.
- 25. (a):** Dakshita Das, additional secretary in the finance ministry, currently holds additional charge as MD & CEO of the NHB
- 26. (d):** IFCI Ltd. was set up in 1948 as Industrial Finance Corporation of India, a Statutory Corporation
- 27. (a):** Dr Emandi Sankara Rao Emandi is a businessperson and holds the position of Chief Executive Officer & Director at IIFCL Asset Management Co.



What is a Non-Banking Financial Company (NBFC)?

- A Non-Banking Financial Company (NBFC) is a company registered under the Companies Act, 1956 engaged in:
- the business of loans and advances,
- acquisition of shares/stocks/bonds/debentures/securities issued by Government or local authority or other marketable securities,
- leasing, hire-purchase, insurance business, chit business
- but does not include any institution whose principal business is that of agriculture activity, industrial activity, purchase or sale of any goods (other than securities) or providing any services and sale/purchase/construction of immovable property.

Note: A non-banking institution which is a company and has principal business of receiving deposits under any scheme or arrangement in one lump sum or in installments, is also a non-banking financial company (Residuary non-banking company).

Difference between banks & NBFCs?

NBFCs lend & make investments and hence their activities are akin to that of banks, but there are some differences:

- NBFC cannot accept demand deposits.
- NBFCs do not form part of the payment and settlement system and cannot issue cheques drawn on itself.
- Deposit insurance facility of Deposit Insurance and Credit Guarantee Corporation is not available to depositors of NBFCs, unlike in case of banks.

Requirements for registration with RBI?

A company incorporated under the Companies Act, 1956 and desirous of commencing business of non-banking financial institution as defined under Section 45 I(a) of the RBI Act, 1934 should comply with the following:

- it should be a company registered under Section 3 of the companies Act, 1956
- It should have a minimum net owned fund of Rs200 lakh.

What are systemically important NBFCs?

- NBFCs whose asset size is of Rs500 crores or more as per last audited balance sheet are considered as systemically important NBFCs.
- The rationale for such classification is that the activities of such NBFCs will have a bearing on the financial stability of the overall economy.

Does the RBI regulate all financial companies?

- No, it doesn't.
- Merchant Banking Companies, Stock Exchanges, Companies engaged in the business of stock-broking/sub-broking, Venture Capital Fund Companies, Nidhi Companies, Insurance companies and Chit Fund Companies are NBFCs but they have been exempted from the requirement of registration under Section 45-IA of the RBI Act, 1934 subject to certain conditions.

Let's see who regulates the above given NBFCs?

- **Merchant Banker/Venture Capital Fund Company/stock-exchanges/stock brokers/sub-brokers** are regulated by Securities and Exchange Board of India.
- **Insurance companies** are regulated by Insurance Regulatory and Development Authority.
- **Chit Fund Companies** are regulated by the respective State Governments.
- **Nidhi Companies** are regulated by Ministry of Corporate Affairs, Government of India.

Note: Mortgage Guarantee Companies have been notified as Non-Banking Financial Companies under Section 45 I(f)(iii) of the RBI Act, 1934. Core Investment Companies with asset size of less than Rs100 crore, and those with asset size of Rs100 crore and above are exempted from registration with the RBI.

Different types/categories of NBFCs registered with RBI?

NBFCs are categorized

- (a) in terms of the type of liabilities into Deposit & Non-Deposit accepting NBFCs
- (b) non-deposit taking NBFCs by their size into systemically important and other non-deposit holding companies (NBFC-NDSI and NBFC-ND)
- (c) by the kind of activity, they conduct.

Asset Finance Company (AFC)

- An AFC is a company which is a financial institution carrying on as its principal business the financing of physical assets supporting productive/economic activity, such as automobiles, tractors, lathe machines, generator sets, earth moving and material handling equipments, moving on own power and general-purpose industrial machines.
- Principal business for this purpose is defined as aggregate of financing real/physical assets supporting economic activity and income arising therefrom is not less than 60% of its total assets and total income respectively.

Investment Company (IC)

- IC means any company which is a financial institution carrying on as its principal business the acquisition of securities.

Loan Company (LC)

- LC means any company which is a financial institution carrying on as its principal business the providing of finance whether by making loans or advances or otherwise for any activity other than its own but does not include an Asset Finance Company.

Infrastructure Finance Company (IFC)

- IFC is a non-banking finance company
 - (a) which deploys at least 75% of its total assets in infrastructure loans.
 - (b) has a minimum Net Owned Funds of Rs300 crore
 - (c) has a minimum credit rating of 'A' or equivalent
 - (d) and a CRAR of 15%.

Systemically Important Core Investment Company (CIC-ND-SI)

- CIC-ND-SI is an NBFC carrying on the business of acquisition of shares and securities, satisfies the given conditions:
- it holds not less than 90% of its Total Assets in the form of investment in equity shares, preference shares, debt or loans in group companies.
- its investments in the equity shares in group companies constitutes not less than 60% of its Total Assets.
- it does not trade in its investments in shares, debt or loans in group companies except through block sale for the purpose of dilution or disinvestment.
- it does not carry on any other financial activity except investment in bank deposits, money market instruments, government securities, loans to and investments in debt issuances of group companies or guarantees issued on behalf of group companies.
- Its asset size is Rs100 crores or above.
- It accepts public funds.

Infrastructure Debt Fund: Non- Banking Financial Company (IDF-NBFC)

- IDF-NBFC is a company registered as NBFC to facilitate the flow of long-term debt into infrastructure projects.
- IDF-NBFC raise resources through issue of Rupee or Dollar denominated bonds of minimum 5-year maturity.
- Only Infrastructure Finance Companies (IFC) can sponsor IDF-NBFCs.

Non-Banking Financial Company - Micro Finance Institution (NBFC-MFI)

NBFC-MFI is a non-deposit taking NBFC having not less than 85% of its assets in the nature of qualifying assets which satisfy the following criteria:

- loan disbursed by an NBFC-MFI to a borrower with a rural household annual income not exceeding Rs1,00,000 or urban and semi-urban household income not exceeding Rs 1,60,000;

- loan amount does not exceed Rs 50,000 in the first cycle and Rs 1,00,000 in subsequent cycles;
- total indebtedness of the borrower does not exceed Rs 1,00,000;
- tenure of the loan not to be less than 24 months for loan amount in excess of Rs 15,000 with prepayment without penalty;
- loan to be extended without collateral;
- aggregate amount of loans, given for income generation, is not less than 50 per cent of the total loans given by the MFIs;
- loan is repayable on weekly, fortnightly or monthly instalments at the choice of the borrower.

Non-Banking Financial Company – Factors (NBFC-Factors)

- NBFC-Factor is a non-deposit taking NBFC engaged in the principal business of factoring.
- The financial assets in the factoring business should constitute at least 50 percent of its total assets and its income derived from factoring business should not be less than 50 percent of its gross income.

Mortgage Guarantee Companies (MGC)

- MGC are financial institutions for which at least 90% of the business turnover is mortgage guarantee business or at least 90% of the gross income is from mortgage guarantee business and net owned fund is Rs100 crore.

NBFC- Non-Operative Financial Holding Company (NOFHC)

- It is the financial institution through which promoter / promoter groups will be permitted to set up a new bank.
- It's a wholly-owned Non-Operative Financial Holding Company (NOFHC) which will hold the bank as well as all other financial services companies regulated by RBI or other financial sector regulators.

What is 'owned fund' and 'net owned fund' in relation to NBFCs?

- '**Owned Fund**' means aggregate of the paid-up equity capital, preference shares which are compulsorily convertible into equity, free reserves, balance in share premium account and capital reserves representing surplus arising out of sale proceeds of asset, excluding reserves created by revaluation of asset.
- '**Net Owned Fund**' is the amount as arrived at above, minus the amount of investments of such company in shares of its subsidiaries, companies in the same group and all other NBFCs and the book value of debentures, bonds, outstanding loans and advances.

Is there any ceiling on interest rate charged by the NBFCs to their borrowers?

- RBI has deregulated interest rates to be charged to borrowers by financial institutions (other than NBFC- Micro Finance Institution).

What is a Residuary Non-Banking Company (RNBC)? In what way it is different from other NBFCs?

- Residuary Non-Banking Company is a class of NBFC which is a company and has as its principal business the receiving of deposits, under any scheme or arrangement or in any other manner.
- These companies are required to maintain investments as per directions of RBI, in addition to liquid assets.
- There is no ceiling on raising of deposits by RNBCs.
- Every RNBC has to ensure that the amounts deposited with it are fully invested in approved investments.
- In order to secure the interests of depositor, such companies are required to invest 100 per cent of their deposit liability into highly liquid and secure instruments, namely, Central/State Government securities, fixed deposits with scheduled commercial banks (SCB), Certificate of Deposits of SCB/FIs, units of Mutual Funds, etc.
- The minimum interest an RNBC should pay on deposits should be 5% (to be compounded annually) on the amount deposited in lump sum or at monthly or longer intervals; and 3.5% (to be compounded annually) on the amount deposited under daily deposit scheme.
- An RNBC can accept deposits for a minimum period of 12 months and maximum period of 84 months from the date of receipt of such deposit.
- They cannot accept deposits repayable on demand.

Important regulations relating to acceptance of deposits by NBFCs are as under:

- The NBFCs are allowed to accept/renew public deposits for a minimum period of 12 months and maximum period of 60 months. They cannot accept deposits repayable on demand.
- NBFCs cannot offer interest rates higher than the ceiling rate prescribed by RBI from time to time. The present ceiling is 12.5 per cent per annum. The interest may be paid or compounded at rests not shorter than monthly rests.
- NBFCs cannot offer gifts/incentives or any other additional benefit to the depositors.
- NBFCs should have minimum investment grade credit rating.
- The deposits with NBFCs are not insured.
- The repayment of deposits by NBFCs is not guaranteed by RBI.

Note:

- SEBI is the regulator of CIS (Collective Investment Schemes).
- The chit funds are governed by Chit Funds Act, 1982 which is a Central Act administered by state governments.

What are money circulation/Ponzi/multi-level marketing schemes?

- Money circulation, multi-level marketing / Chain Marketing or Ponzi schemes are schemes promising easy or quick money upon enrollment of members.
- Income under Multi-level marketing or pyramid structured schemes do not come from the sale of products they offer as much as from enrolling more and more members from whom hefty subscription fees are taken.

Exercise

- | | |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>1. What is the full form of NBFC?
 (a) Non-Banking Financial Company
 (b) National building Financial Company
 (c) National broad Financial Company
 (d) Non-Banking Finance Company
 (e) None of these</p> <p>2. A NBFC is a company registered under which act?
 (a) the Companies Act, 2019
 (b) the Companies Act, 2013
 (c) the Companies Act, 1956
 (d) the Companies Act, 1812
 (e) None of these</p> <p>3. Non-banking financial institution as defined under which section of the RBI Act, 1934?
 (a) Section 46 I (a) (b) Section 45 I (b)
 (c) Section 45 I (c) (d) Section 45 I (a)
 (e) None of these</p> <p>4. NBFCs should be a company registered under which section of the Companies Act, 1956?
 (a) Section 7 (b) Section 4 (c) Section 5
 (d) Section 3 (e) None of these</p> <p>5. NBFCs should have a minimum net owned fund of
 (a) Rs100 lakh (b) Rs200 lakh (c) Rs50 lakh
 (d) Rs150 lakh (e) Rs175 lakh</p> <p>6. NBFCs whose asset size is of ____or more as per last audited balance sheet are considered as systemically important NBFCs.
 (a) Rs300 crores (b) Rs2500 crores
 (c) Rs250 crores (d) Rs500 crores (e) Rs100 crores</p> <p>7. Does the RBI regulate all financial companies?
 (a) Yes
 (b) NO</p> | <p>(c) Depends on the choice of financial companies to accept RBI's regulation
 (d) Depends on state governments approval
 (e) Depend on Central government's approval</p> <p>8. Housing Finance Companies are regulated by
 (a) National Housing Bank
 (b) Reserve bank of India
 (c) Government of India
 (d) SIDBI
 (e) None of these</p> <p>9. Merchant Banker/Venture Capital Fund Company/stock-exchanges/stock brokers/sub-brokers are regulated by
 (a) Reserve bank of India
 (b) Securities and Exchange Board of India
 (c) Government of India
 (d) SIDBI
 (e) None of these</p> <p>10. Insurance companies are regulated by
 (a) SIDBI
 (b) Reserve bank of India
 (c) Government of India
 (d) Insurance Regulatory and Development Authority
 (e) None of these</p> <p>11. Chit Fund Companies are regulated by
 (a) Government of India
 (b) Reserve bank of India
 (c) The respective State Governments
 (d) SIDBI
 (e) None of these</p> <p>12. Nidhi Companies are regulated by
 (a) Ministry of Corporate Affairs, Government of India</p> |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

- (b) Reserve bank of India
 (c) the respective State Governments
 (d) SIDBI
 (e) SEBI
13. Infrastructure Finance Company is a non-banking finance company which deploys at least ____ of its total assets in infrastructure loans.
 (a) 100% (b) 80% (c) 75%
 (d) 50% (e) None of these

14. Mortgage Guarantee Companies are financial institutions for which at least ___% of the business turnover is mortgage guarantee business and net owned fund is Rs100 crore.
 (a) 50% (b) 80% (c) 100%
 (d) 90% (e) None of these
15. The NBFCs are allowed to accept/renew public deposits for a minimum period of 12 months and maximum period of ___ months.
 (a) 60 months (b) 100 months (c) 72 months
 (d) 24 months (e) None of these

Solutions

- (a):** Non-Banking Financial Company (NBFC)
- (c):** Non-Banking Financial Company (NBFC) is the company registered under the Companies Act, 1956
- (d):** In terms of Section 45-IA of the RBI Act, 1934, no Non-banking Financial company can commence or carry on business of a non-banking financial institution without a) obtaining a certificate of registration from the Bank and without having a Net Owned Funds of ₹ 25 lakhs (₹ Two crore since April 1999).
- (d):** A company incorporated under the Companies Act, 1956 . it should be a company registered under Section 3 of the companies Act, 1956.
- (b):** It should have a minimum net owned fund of ₹ 200 lakh. (The minimum net owned fund (NOF) required for specialized NBFCs like NBFC-MFIs, NBFC-Factors, CICs is indicated separately in the FAQs on specialized NBFCs)
- (d):** NBFCs whose asset size is of ₹ 500 cr or more as per last audited balance sheet are considered as systemically important NBFCs
- (b):** No, it doesn't.
 Notes: Housing Finance Companies, Merchant Banking Companies, Stock Exchanges, Companies engaged in the business of stock-broking/sub-broking, Venture Capital Fund Companies, Nidhi Companies, Insurance companies and Chit Fund Companies are NBFCs but they have been exempted from the requirement of registration under Section 45-IA of the RBI Act, 1934 subject to certain conditions.
- (b):** the housing finance company comes under the National Housing Bank (NHB) . And the National Housing Bank (NHB) is govern Reserve Bank of India (RBI).
- (b):** the Functions of SEBI are to regulate the working of Stock Brokers, Sub-brokers, Share

Transfer Agents, Trustees, Merchant Bankers, Underwriters, Portfolio Managers etc. and also to make their registration. To register and regulate collective investment plans of mutual funds.

- (d):** The primary regulator for insurance in India is the Insurance Regulatory and Development Authority of India (IRDAI) which was established in 1999 under the government legislation called the Insurance Regulatory and Development Authority Act, 1999.
- (c):** Chit funds in India are governed by the Chit Funds Act, 1982. Under this Act, the chit fund businesses can be registered and regulated only by the respective State Governments
- (a):** Nidhi's are companies registered under section 620A of the Companies Act, 1956(Section 406 of the new Companies Bill 2012, as passed by Lok Sabha) and is regulated by Ministry of Corporate Affairs (MCA).
- (c):** IFC is a non-banking finance company which deploys at least 75 per cent of its total assets in infrastructure loans.
- (d):** the mortgage guarantee company shall primarily transact the business of providing mortgage guarantee. A mortgage guarantee company shall be deemed to comply with the above when at least 90% of the business turnover is mortgage guarantee business or at least 90% of the gross income is from mortgage guarantee business (which includes the income derived from reinvesting the income generated from mortgage).
- (a):** The NBFCs are allowed to accept/renew public deposits for a minimum period of 12 months and maximum period of 60 months. They cannot accept deposits repayable on demand. NBFCs cannot offer interest rates higher than the ceiling rate prescribed by RBI from time to time. The present ceiling is 12.5 per cent per annum.

Chapter 10

'Indradhanush' Strategy to Revamp PSU Banks

- Public-Sector Banks (PSBs) play a vital role in India's economy. But in the last few years, PSBs are having lower profitability for PSBs, mainly because of the provisioning for the restructured projects as well as because of gross NPAs.
- Therefore, to revive the fortunes of public sector banks, government unveiled a seven-point plan
- encompassing Rs. 20,000 crore immediate fund infusion, creation of a single holding company and minimising political interference.
- The government has named it as 'Indradhanush', which also includes setting up of a Bank Board Bureau (BBB) for broad-level appointments and a performance-based monitoring mechanism.
- The strategy, Indradhanush, focuses on systemic changes in state-run lenders, including a fresh look at hiring, a comprehensive plan to de-stress bloated lenders, capital infusion, accountability incentives with higher rewards including Stock Options and cleaning up governance.

The 7 Elements includes:

- Appointments
- Bank of Board Bureau
- Capitalization
- De-Stressing Public Sector Banks
- Empowerment
- Framework of accountability
- Governance Reforms

Now, let's discuss each element in detail.

(A) Appointments

- The Government decided to separate the post of Chairman and Managing Director by prescribing that in the subsequent vacancies to be filled up the CEO will get the designation of MD & CEO and there would be another person who would be appointed as non-Executive Chairman of PSBs.
- This approach is based on global best practices and as per the guidelines in the Companies Act to ensure appropriate checks and balances.
- Private sector candidates were also allowed to apply for the position of MD & CEO of the five top banks i.e. Punjab National Bank, Bank of Baroda, Bank of India, IDBI Bank and Canara Bank.

(B) Bank Board Bureau:

- The BBB will be a body of eminent professionals and officials, which will replace the Appointments Board for appointment of Whole-time Directors as well as non-Executive Chairman of PSBs.
- They will also constantly engage with the Board of Directors of all the PSBs to formulate appropriate strategies for their growth and development.
- The BBB will comprise of a Chairman and six more members of which three will be officials and three experts (of which two would necessarily be from the banking sector).

(C) Capitalization:

- As of now, the PSBs are adequately capitalized and meeting all the Basel III and RBI norms. However, the Government of India wants to adequately capitalize all the banks to keep a safe buffer over and above the minimum norms of Basel III.
- During 2019-20, the government had proposed to make a Rs 70,000-crore capital infusion into the PSBs to boost credit for a strong impetus to the economy.

(D) Strengthening Risk Control measures and NPA Disclosures

- Besides the recovery efforts under the DRT & SARFAESI mechanism the following additional steps have been taken to address the issue of NPAs:
 - (a) RBI released guidelines in 2014 for “Early Recognition of Financial Distress, Prompt Steps for Resolution and Fair Recovery for Lenders: Framework for Revitalizing Distressed Assets in the Economy”** suggesting various steps for quicker recognition and resolution of stressed assets:
 - Creation of a **Central Repository of Information on Large Credits (CRILC)** by RBI to collect, store, and disseminate credit data to banks on credit exposures of Rs. 5 crores and above,
 - Formation of Joint Lenders Forum (JLF), Corrective Action Plan (CAP), and sale of assets.
 - (b) Flexible Structuring of Loan Term Project Loans to Infrastructure and Core Industries.**
 - (c) Wilful Default/Non-Cooperative Borrowers:** RBI came out with a new category of borrower called Non-Cooperative borrower. A non-cooperative borrower is a borrower who does not provide information on its finances to the banks. Banks will have to do higher provisioning if they give fresh loans to such a borrower. Fresh exposure to a borrower reported as non-cooperative will necessitate higher provisioning.
 - (d) Asset Reconstruction Companies:** RBI has tightened the norms for ARCs.
 - (e) Establishment of six New DRTs:** Government has decided to establish six new Debt Recovery Tribunals (DRT) (at Chandigarh, Bengaluru, Ernakulum, Dehradun, Siliguri, Hyderabad) to speed up the recovery of bad loans of the banking sector.
 - (f) At present 39 Debt Recovery Tribunals (DRTs) are functioning in the country.**

(E) Empowerment:

- The Government issued a circular that there will be no interference from Government and Banks are encouraged to take their decision independently keeping the commercial interest of the organisation in mind.
- With autonomy comes accountability, accordingly Banks have been asked to build robust Grievances Redressal Mechanism for customers as well as staff so that concerns of the affected are addressed effectively in time bound manner.
- The Government is committed to provide required professionals as NoDs to the Board so that well-informed and well-discussed decisions are taken.

(F) Framework of Accountability:

- The present system for the measurement of a bank's performance was a system called SoI – Statement of Intent.
- There were two changes that is being done in SoI, which are as follows:
 - (a) A new framework of Key Performance Indicators (KPIs) to be measured for performance of PSBs is being announced.** It is divided into four sections totaling up to 100 marks. 25 marks each are allotted to indicators relating to efficiency of capital use and diversification of business/processes and 15 marks each are allotted for specific indicators under the category of NPA management and financial inclusion. The total marks to be allotted for quantifiable, measurable criteria is 80.
- The remaining 20 marks are reserved for measurement of qualitative criteria which includes strategic initiatives taken to improve asset quality, efforts made to conserve capital, HR initiatives and improvement in external credit rating.

(G) Governance Reforms:

- The process of governance reforms started with “Gyan Sangam” - a conclave of PSBs and FIs organized in Pune.
- There was a focus group discussion on six different topics which resulted in specific decisions on optimizing capital, digitizing processes, strengthening risk management, improving managerial performance and financial inclusion.
- The decision to set up a Bank Board Bureau which was subsequently announced in the Budget Speech of Hon'ble Finance Minister, came out of the recommendations of Gyan Sangam.
- The Gyan Sangam recommendations included strengthening of risk management practices. Each bank agreed to nominate a senior officer as Chief Risk Officer of the bank. A special training programme for Chief Risk Officers was recently organized by Centre for Advanced Financial Research and Learning (CAFRAL).
- The Government has been constantly engaging with the Banks through review meeting and sessions for strategic reviews etc. The focus is on improving HR management practices and removing barriers so that the Banks can share and work together on common resources. Various steps have been taken to empower Bank's Boards.
- Note: The Indradhanush framework for transforming the PSBs represents the most comprehensive reform effort undertaken since banking nationalisation in the year 1970.

Exercise

1. The Government unveiled a seven-point plan encompassing Rs. 20,000 crore immediate fund infusion, creation of a single holding company and minimizing political interference for PSB's. The government has named it as?
 - (a) Indradhanush
 - (b) Pradhan Mantri Refinance Yojna
 - (c) Indraprasth
 - (d) Integrated financial scheme
 - (e) None of these
2. Indradhanush also includes setting up of a ____ for broad-level appointments and a performance-based monitoring mechanism.
 - (a) Bank Board Organisation (BBO)
 - (b) Bank Board Committees (BBC)
 - (c) Bank Board Bureau (BBB)
 - (d) Bank Bureau Board (BBB)
 - (e) none of these
3. Under the 'Indradhanush' scheme the Government has decided that the CEO will get the designation of?
 - (a) Deputy Chairman
 - (b) Chairman
 - (c) MD
 - (d) MD & CEO
 - (e) None of these
4. The Government has directed that ____ candidates were also allowed to apply for the position of MD & CEO of the five top banks.
 - (a) Public sector
 - (b) Private sector
 - (c) Semi-Private sector
 - (d) Semi-Public sector
 - (e) None of these
5. Name the body of eminent professionals and officials, which will replace the Appointments Board for appointment of Whole-time Directors as well as non-Executive Chairman of PSBs?
 - (a) Bank Board Committees (BBC)
 - (b) Bank Board Bureau (BBB)
 - (c) Bank Board Organisation (BBO)
 - (d) Bank Bureau Board (BBB)
 - (e) none of these
6. The Bank Board Bureau (BBB) will comprise of?
 - (a) Chairman and six more members
 - (b) Chairman and five more members
 - (c) Chairman and four more members
 - (d) Chairman and three more members
 - (e) Chairman and two more members
7. As per the official, the capital requirement of extra capital for the next four years up to FY 2019 is likely to be about Rs. _____.
 - (a) Rs.1,25,000 crore
 - (b) Rs.1,60,000 crore
 - (c) Rs.1,80,000 crore
 - (d) Rs.1,75,000 crore
 - (e) Rs.2,80,000 crore
8. The Government of India is planning to make available ____ capital out of budgetary allocations for the next four years up to FY 2019.
 - (a) Rs.70,000 crores
 - (b) Rs.50,000 crores
 - (c) Rs.60,000 crores
 - (d) Rs.80,000 crores
 - (e) Rs.100,000 crores
9. The RBI suggested creation of an institution to collect, store, and disseminate credit data to banks on credit exposures of Rs. 5 crores and above, name of this institution is?
 - (a) Central Receipts Information on Large Credits
 - (b) Central Repository of Information on Large Capitals
 - (c) Central Receipts Information on Large Capitals
 - (d) Central Repository of Information on Large Credits
 - (e) None of these
10. RBI came out with a new category of borrower who does not provide information on its finances to the banks, it is called as?
 - (a) No-Cooperative borrower
 - (b) Non-Cooperative borrowing
 - (c) Non-Cooperative borrower
 - (d) Non-cooperation borrower
 - (e) Non-Cooperative bank
11. What is the full form of ARCs?
 - (a) Asset Reconstruction Companies
 - (b) Asset Recreation Companies
 - (c) Asset Refinance Companies
 - (d) Asset Reclaim Companies
 - (e) None of these
12. Government has decided to establish six new Debt Recovery Tribunals (DRT) to speed up the recovery of bad loans of the banking sector at?
 - (a) Chandigarh, Bengaluru
 - (b) Ernakulum, Dehradun
 - (c) Siliguri, Hyderabad
 - (d) All of the above
 - (e) None of the above
13. Name the present system for the measurement of a bank's performance?
 - (a) Statement of Intent (SoI)
 - (b) Statement of Internal (SoI)
 - (c) Statement of Internet (SoI)
 - (d) Statement of India (SoI)
 - (e) None of these

14. The government has announced a new framework of _____ to be measured for performance of PSBs.
 (a) Key Password Indicators (KPIs)
 (b) Key Payment Indicators (KPIs)
 (c) Key Performance Indicators (KPIs)
 (d) Key Performance of India (KPIs)
- (e) None of these
15. The process of governance reforms started with a conclave of PSBs and FIs organized in Pune, named as?
 (a) Gyan Sangam (b) Gyani Sangam (c) Gyan Kitab
 (d) Gyan Pustak (e) None of these

Solutions

1. **(a):** The Government started a Indradhanush seven-point plan encompassing Rs 20,000 crore infusion, creation of a single holding company and minimising political interference.
2. **(c):** The Banks Board Bureau has its genesis in the recommendations of The Committee to Review Governance of Boards of Banks in India February 28, 2016, the Government of India, announced the constitution and composition of the Bureau. The Bureau started functioning from April 01, 2016 as an autonomous recommendatory body.
3. **(d):** The Government decided to separate the post of Chairman and Managing Director by prescribing that in the subsequent vacancies to be filled up the CEO will get the designation of MD & CEO and there would be another person who would be appointed as non-Executive Chairman of PSBs.
4. **(b):** The Private sectors players were allowed to apply for the post of MD & CEO of the five top banks
5. **(b):** Banks Board Bureau (BBB) had replaced Appointments Board of Government. It is housed in Reserve Bank of India's (RBI) central office in Mumbai, Maharashtra. Give recommendations for appointment of full-time Directors as well as non-Executive Chairman of PSBs.
6. **(a):** the BBB will comprise of a Chairman and six more members of which three will be officials and three experts (of which two would necessarily be from the banking sector).
7. **(c):** The capital requirement of extra capital for the next four years up to FY 2019 is likely to be about Rs. 1,80,000 crore.
8. **(a):**
9. **(d):** on all borrowers having aggregate exposures of Rs. 5 crore and above with them to the Central Repository of Information on Large Credits (CRILC) maintained by the Reserve Bank. Aggregate exposure shall include all fund-based and non-fund based exposure, including investment exposure on the borrower.
10. **(c):** A non-cooperative borrower is a borrower who does not provide information on its finances to the banks.
11. **(a):** ARC stands for Asset Reconstruction Company.
12. **(d):** Government has decided to establish six new Debt Recovery Tribunals (DRT) (at Chandigarh, Bengaluru, Ernakulum, Dehradun, Siliguri, Hyderabad) to speed up the recovery of bad loans of the banking sector.
13. **(a):** The present system for the measurement of a bank's performance was a system called Sol - Statement of Intent.
14. **(c):** Key Performance Indicators (KPIs) are the elements of your plan that express what you want to achieve by when. They are the quantifiable, outcome-based statements you'll use to measure if you're on track to meet your goals or objectives. Good plans use 5-7 KPIs to manage and track the progress of their plan.
15. **(a):** The process of governance reforms started with "Gyan Sangam" - a conclave of PSBs and FIs organized in Pune.



ASEL-3 NORMS

- The Basel Committee is the primary global standard-setter for the prudential regulation of banks and provides a forum for cooperation on banking supervisory matters.
- Its mandate is to strengthen the regulation, supervision and practices of banks worldwide with the purpose of enhancing financial stability.
- Pablo Hernández de Cos is the chairman of the Basel Committee.
- The Bank for International Settlements (BIS) established on 17 May 1930, is the world's oldest international financial organisation. The BIS has 62-member central banks, representing countries from around the world.

Basel III Accord - Basel 3 Norms

- Basel III or Basel 3 released in December, 2010 is the third in the series of Basel Accords.
- These accords deal with risk management aspects for the banking sector.

What does Basel III is all About?

According to Basel Committee on Banking Supervision "Basel III is a comprehensive set of reform measures, developed by the Basel Committee on Banking Supervision, to strengthen the regulation, supervision and risk management of the banking sector".

What are the objectives / aims of the Basel III measures?

Basel 3 measures aim to:

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

What are Three Pillars of Basel III Norms?

- **Pillar 1:** Minimum Regulatory Capital Requirements based on Risk Weighted Assets (RWAs): Maintaining capital calculated through credit, market and operational risk areas. (MAINLY THAT CAPITAL WHICH CAN ABSORB RISK.)
- **Pillar 2:** Supervisory Review Process: Regulating tools and frameworks for dealing with peripheral (OUTER) risks that banks face.
- **Pillar 3:** Market Discipline: Increasing the disclosures that banks must provide to increase the transparency of banks

What are the Major Features of Basel III?

- **Better Capital Quality:** One of the key elements of Basel 3 is the introduction of much stricter definition of capital. It means capital with the higher loss-absorbing capacity. This in turn will mean that banks will be stronger, allowing them to better withstand periods of stress.
- **Capital Conservation Buffer:** Another key feature of Basel iii is that now banks will be required to hold a capital conservation buffer of 2.5% of RWAs. CCB-aims to conserve the capital of banks by making a buffer/reserve for CRISIS situation. The aim of asking to build conservation buffer is to ensure that banks maintain a cushion of capital that can be used to absorb losses during periods of financial and economic stress.
- **Countercyclical Buffer:** The countercyclical buffer has been introduced with the objective to increase capital requirements in good times and decrease the same in bad times. The buffer will slow banking activity when it overheats and will encourage lending when times are tough i.e. in bad times. The buffer will range from 0% to 2.5% of RWAs, consisting of common equity/shares or other fully loss-absorbing capital.
- **Minimum Common Equity and Tier 1 Capital Requirements:** The minimum requirement for common equity, the highest form of loss-absorbing capital, has been Minimum Common Equity(the highest form of loss-absorbing capital) raised under Basel III from 2% to 4.5% of total risk-weighted assets. The overall Tier 1 capital requirement, consisting of not only common equity but also other qualifying financial instruments, will also increase from the current minimum of 4% to 6%. Although the minimum total capital requirement will remain at the current 8% level.

- Leverage Ratio: A leverage ratio is the relative amount of capital to total assets (not risk-weighted). This aims to put a cap on swelling of leverage in the banking sector on a global basis. 3% leverage ratio of Tier 1 will be tested before a mandatory leverage ratio is introduced in January 2018.
- Liquidity Ratios: Under Basel III, a framework for liquidity risk management will be created. A new Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) are to be introduced in 2015 and 2018, respectively.

Important Facts related to BASEL Norms

- Minimum Ratio of Total Capital to RWAs: 10.50%
- Minimum Ratio of Common Equity to RWAs: 4.50% to 7.00%
- Tier I capital to RWAs: 6.00%
- Core Tier I capital to RWAs: 5.00%
- Capital Conservation Buffers to RWAs: 2.50%
- Leverage Ratio: 3.00%
- Countercyclical Buffer: 0% to 2.50%

A Brief on the Tier 1 & 2 Capital

Tier-I Capital

- Paid up Capital
- Statutory Reserves
- Other disclosed free reserves
- Capital Reserves which represent surplus arising out of the sale proceeds of the assets.
- Investment Fluctuation Reserves Innovative Perpetual Debt Instruments (IPDIs) Perpetual Noncumulative Preference Shares.

Minus (-):

- Equity Investment in subsidiaries.
- Intangible assets.
- Losses (Current period + past carried forward)

Tier-II Capital

- Undisclosed reserves and cumulative perpetual preference shares.
- Revaluation Reserves
- General Provisions and loss reserves Hybrid debt capital instruments such as bonds.
- Long term unsecured loans Debt Capital Instruments.

Note:

- The Reserve Bank of India earlier extended the timeline for full implementation of the Basel III capital regulations by a year to March 31, 2019.
- In view of the coronavirus pandemic, the Basel Committee's oversight body, the Group of Central Bank Governors and Heads of Supervision (GHOS) deferred the implementation of Basel-III norms for banking services till January 1, 2023.
- This breather comes in the wake of industry-wide concerns about the potential stresses (of the implementation of the regulations) on the asset quality and consequential impact on the performance/profitability of banks.

Exercise

1. Who is the chairman of the Basel Committee?
 - (a) Carolyn Rogers
 - (b) Pablo Hernández de Cos
 - (c) Mark Carney
 - (d) Stefan Ingves
 - (e) None of these
2. The Bank for International Settlements (BIS) established on?
 - (a) 17 May 1929 (b) 18 May 1930 (c) 17 June 1930
 - (d) 17 May 1930 (e) None of these
3. How many central banks and monetary authorities are currently members of the BIS and have rights of voting and representation at General Meetings?
 - (a) 41 (b) 53 (c) 63
 - (d) 71 (e) 100
4. Basel III or Basel 3 was released in?
 - (a) December 2011
 - (b) December 2010
 - (c) November 2010
 - (d) December 2012
 - (e) None of these
5. What does pillar 1 of Basel III deal with?
 - (a) Minimum Regulatory Capital Requirements based on Risk Weighted Assets (RWAs)
 - (b) Maximum Regulation Capital Requirements based on Risk Weighted Assets (RWAs)
 - (c) Minimum Regulatory Core Requirements board on Risk Weighted Assets (RWAs)
 - (d) Maximum Regulation Core Requirements based on Risk Weighted Assets (RWAs)
 - (e) None of these
6. The pillar 2 of Basel III deals with?
 - (a) Supervisory Review Process
 - (b) Supervision Revision Process
 - (c) Supervisory Reassessment Process
 - (d) Supervisory Repurchase Process
 - (e) none of these
7. What does pillar 3 of Basel III deal with?
 - (a) Market Pillar
 - (b) Private Discipline
 - (c) Market Discipline
 - (d) Market Strategy
 - (e) None of these
8. According to Basel III now banks will be required to hold a capital conservation buffer of ____% of RWAs.
 - (a) 7.5% (b) 2.5% (c) 3.5%
 - (d) 4.5% (e) 2.1%
9. The countercyclical buffer has been introduced with the objective to increase capital requirements in good times and decrease the same in bad times. The range of the buffer will be?
 - (a) 0% to 7.5% of RWA
 - (b) 0% to 2.5% of RWA
 - (c) 0% to 1.9% of RWA
 - (d) 0% to 4.5% of RWA
 - (e) 0% to 3.5% of RWA
10. The highest form of loss-absorbing capital under Basel III is known as?
 - (a) Minimum Common Equity
 - (b) Maximum Common Equity
 - (c) Minimum Committee on Equity
 - (d) Minimum Common Equitable
 - (e) None of these
11. The overall Tier 1 capital requirement will also increase from the current minimum of 4% to _____.
 - (a) 1% (b) 7% (c) 6%
 - (d) 4% (e) 2%
12. A ____ is the relative amount of capital to total assets (not risk-weighted).
 - (a) Cash Leverage ratio
 - (b) Reserve ratio
 - (c) Cash Reserve ratio
 - (d) Leverage ratio
 - (e) None of these
13. What will be the minimum Ratio of Common Equity to RWAs?
 - (a) 3.50% to 7.00%
 - (b) 4.50% to 7.00%
 - (c) 4.50% to 8.00%
 - (d) 4.75% to 7.00%
 - (e) 4.90% to 7.00%
14. What will be the Core Tier I capital to RWAs?
 - (a) 5.00% (b) 6.00% (c) 10.00%
 - (d) 7.00% (e) 3.00%
15. What is the full form of 'IPDIs'?
 - (a) Investment fast Reserves Innovative Perpetual Debt Instruments
 - (b) Investment Forigen Reserves Innovative Perpetual Debt Instruments
 - (c) Investment Fluctuation Reserves Innovative Perpetual Debt Instruments
 - (d) Investment Fluctuations Reserves of India Perpetual Debt Instruments
 - (e) None of these

16. The Basel Committee's oversight body, the Group of Central Bank Governors and Heads of Supervision (GHOS) has extended the timeline for full implementation of the Basel III capital regulations to?
- (a) March 28, 2019
 (b) January 31, 2020
 (c) February 31, 2019
 (d) January 1, 2022
 (e) January 1, 2023

Solutions

1. **(b):** The current Chairman of the Committee is Pablo Hernández de Cos, Governor of the bank of Spain.
2. **(d):** The BIS was created in 1930 at the Hague Conference. A convention respecting the establishment of the BIS was signed between Belgium, France, Germany, Italy, Japan and the United Kingdom on the one hand and Switzerland on the other.
3. **(c):** Sixty-three central banks and monetary authorities are currently members of the BIS and have rights of voting and representation at General Meetings.
4. **(b):** Basel III or Basel 3 released in December, 2010 is the third in the series of Basel Accords.
5. **(a):** Pillar 3 is the part of the new Basel Accord, which sets out the disclosure requirements for banks to publish certain details of their risks, capital and risk management, with the aim of strengthening market discipline. This is intended to improve effective risk management by allowing for comparison of the performance across Sectors through these disclosure requirements.
6. **(a):** Supervisor review is the process whereby national regulators ensure their home country banks are following the rules. If minimum capital is the rulebook, the second pillar is the referee system.
7. **(c):** Pillar 3 of the Basel framework seeks to promote market discipline through regulatory disclosure requirements.
8. **(b):** Banks required to hold a capital conservation buffer of 2.5% of RWAs in the form of Common Equity to withstand future periods of stress bringing the total Common Equity requirement of 7% of RWAs and total capital to RWAs to 10.5%.
9. **(b):** The range of buffer is 0% to 2.5%, consisting of common equity or other fully loss-absorbing capital.
10. **(a):** The minimum requirement for common equity, the highest form of loss-absorbing capital, has been raised under Basel III from 2% to 4.5% of total risk-weighted assets.
11. **(c):** The overall Tier 1 capital requirement, consisting of not only common equity but also other qualifying financial instruments, will also increase from the current minimum of 4% to 6%.
12. **(d):** The leverage ratio is the proportion of debts that a bank has compared to its equity/capital. There are different leverage ratios such as. Debt to Equity = Total debt / Shareholders Equity.
13. **(b):** Minimum Ratio of Common Equity to RWAs: 4.50% to 7.00%
14. **(b):** The tier 1 capital ratio has to be at least 6%.
15. **(c):** Investment Fluctuation Reserves Innovative Perpetual Debt Instruments
16. **(e):** The implementation date of the Basel III standards finalised in December 2017 has been deferred by one year to January 1, 2023.



- Negotiable means anything that is easily transferable from one person to another in return for consideration and “instrument” means, a written document by virtue of which a right is created in favour of some person.
- Negotiable instrument is a document consisting of a contract, guaranteeing the payment of a specific amount of money, either on demand, or at a set time, with the payer named on the document.
- Negotiable Instruments Act, 1881 defines Negotiable Instrument to mean a promissory note, bill of exchange or cheque payable either to order or to bearer.

Promissory Note

- It is an instrument in writing containing an unconditional undertaking signed by the maker, to pay a certain sum of money only to, or to the order of, a certain person, or to the bearer of the instrument.

Bill of Exchange

- It is an instrument in writing containing an unconditional order, signed by the maker, directing a certain person to pay a certain sum of money only to, or to the order of, a certain person or to the bearer of the instrument.
- It is an order made by one person to another to pay money to a third person.
- It has 3 parties: the drawer, the drawee, and the payee.
 - (a) **Drawer** is the person or party who draws the bill i.e. gives the order to pay money to the third party.
 - (b) **Drawee** is a person or party upon whom the bill is drawn i.e. who is ordered to pay.
 - (c) **Payee** is the person or party who is finally payable under the bill i.e. the party in whose favor the bill is drawn.

Cheque

- It is a bill of exchange with two additional qualifications, namely:
 - (a) it is always drawn on a banker, and
 - (b) it is always payable on demand.
- It is the only instrument that can be payable to bearer on demand.

Demand Drafts

- It is a bill drawn either on demand or otherwise by one bank on another in favour of a third party or by one branch of a bank on another branch of the same bank or by the head office on a branch or vice versa.

Endorsement of Negotiable Instruments

- When the maker or holder of a negotiable instrument signs the instrument, otherwise than as such maker, but for the purpose of negotiation, either on the back or face thereof for the same purpose signs a stamped paper intended to be completed as a negotiable instrument, it is said to indorse the negotiable instrument.
- Such maker or holder is called the "endorser".
- An Indorsement can be of two types: Indorsement in Blank and Indorsement in Full.

Indorsement in Blank:

- An indorsement is said to be "in blank" if while indorsing the instrument, the indorser signs only his name on the negotiable instrument.

Indorsement in Full:

- For an indorsement to be “in full”, while indorsing the instrument, the indorser also has to add a direction to pay the amount mentioned in the instrument to, or to the order of, a specified person.
- The person so specified in the endorsement is called the "endorsee" of the instrument.

Exercise

1. A document consisting of a contract, guaranteeing the payment of a specific amount of money, either on demand, or at a set time, with the payer named on the document is known as?
 - (a) Tangible instrument
 - (b) Negotiable instrument
 - (c) Intangible instrument
 - (d) Liquid assets
 - (e) None of these
2. The law relating to Promissory Notes, Bills of Exchange and Cheques are defined and amended under which act?
 - (a) Corporations Act 2001
 - (b) Negotiable Instruments Act, 1882
 - (c) Indian Contract Act, 2013
 - (d) Negotiable Instruments Act, 1881
 - (e) Indian Penal Code
3. A financial instrument in writing containing an unconditional undertaking signed by the maker, to pay a certain sum of money only to, or to the order of, a certain person, or to the bearer of the instrument is called as?

(a) Special Notes	(b) Cheque
(c) Promissory note	(d) Bill of Exchange
(e) Demand Draft	
4. Who are the parties of bills of exchange?

(a) The drawee	(b) the drawer
(c) the payee	(d) All of the above
(e) None of the above	
5. Which is the only instrument that can be payable to bearer on demand?

(a) Cheque	(b) Special Notes	(c) Bill of Exchange
(d) Demand Draft (e) Promissory note		
6. A bank issues a _____ to a client, directing another bank or one of its own branches to pay a certain sum to the specified party.

(a) Bill of Exchange	(b) Cheque	(c) Promissory note
(d) Demand draft (e) None of these		
7. A person who is authorized to sign a negotiable security in order to transfer ownership from one party to another or to approve the terms and conditions of a contract is known as?

(a) Receiver	(b) Client	(c) Endorser
(d) Endorse (e) None of these		
8. What can be the two types of An Indorsement?

(a) Indorsement in Blank	(b) Indorsement in Full
(c) Semi Indorsement	(d) Both (a)&(b)
(e) None of these	

Solutions

1. **(b):** A negotiable instrument is a signed document that promises a sum of payment to a specified person or the assignee.
2. **(d):** the Negotiable Instruments Act, 1881 defines and amends the law relating to Promissory Notes, Bills of Exchange and Cheques
3. **(c):** a signed document containing a written promise to pay a stated sum to a specified person or the bearer at a specified date or on demand.
4. **(d):** A bill of exchange requires in its inception three parties—the drawer, the drawee, and the payee.
5. **(a):** an order to a bank to pay a stated sum from the drawer's account, written on a specially printed form.
6. **(d):** A demand draft is a negotiable instrument similar to a bill of exchange. A bank issues a demand draft to a client, directing another bank or one of its own branches to pay a certain sum to the specified party.
7. **(c):** An endorser is a person who is authorized to sign a negotiable security in order to transfer ownership from one party to another or to approve the terms and conditions of a contract
8. **(d):** An Indorsement can be of two types: Indorsement in Blank and Indorsement in Full.



What is money?

- Money is basically a medium of exchange which a person uses to satisfy his wants.
- Ideal money has three critical characteristics which are as follows:
 - (a) It acts as a medium of exchange
 - (b) It is an economic good
 - (c) It is a means of economic calculation.

Let's discuss some of the Types of Money...**Standard Money**

- It is that form of money in terms of which all other forms of money in the country are measured.
- It is unlimited legal tender and is subject to free coinage, i.e., anybody can bring his metal and get coins made of it.
- In this type, its real or 'intrinsic value' is equal to its face value.
- It is either made of gold or silver, or sometimes both.

Token Money

- It is that money which is made up of cheaper metal.
- It is a limited legal tender.
- It is not subject to free coinage and its face value is greater than its intrinsic or metallic value.

What is Commodity Money?

- It is the simplest kind of money which was used in a barter system where the valuable resources fulfil the functions of money.
- The value of this kind of money comes from the value of resources used for the purpose.

What is Fiat Money?

- Fiat currency is the kind of money which does not have any intrinsic value and it can't convert into a valuable resource.
- The value of this money is determined by government order which makes it a legal instrument for all transaction purposes.
- Examples could be the Paper money, Coins.

A Brief on Money Supply

- The total stock of money which is circulating in the economy is called the money supply.
- It involves the currency, printed notes, money in the deposit accounts and in the form of other liquid assets.
- RBI has referred to four measures of money supply which are: M₁, M₂, M₃, and M₄.
- These measures indicate the monetary liability of the 'Money Creating' sectors, viz., the Reserve Bank of India (RBI), Commercial and Co-operative banks, to the 'money using' sectors within the country referred to as the 'Public'.

M ₁ (narrow money)	Currency with the public + demand deposits with the banking system + 'Other' deposits with the RBI
M ₂	M ₁ + post office savings deposits
M ₃ (broad money)	M ₁ + time deposits with the banking system
M ₄	M ₃ + total post office deposits

Currency with the public

- Currency with the public is arrived at after deducting cash with banks from total currency in circulation. Currency in circulation comprises notes, rupee and small coins.

Demand Deposits with Banks represent the demand deposits with all the commercial and co-operative banks (including cooperative societies).

'Other' Deposits with the Reserve Bank

- Other deposits with the RBI for the purpose of monetary compilation include deposits from foreign central banks, multilateral institutions, financial institutions, balances in depositor education and awareness (DEA) fund, and sundry deposits net of IMF Account.
- **Post Office Saving Bank Deposits** are total accruals under Post Office Savings Deposits.
- **Time Deposits with Banks** represent the time deposits with all the commercial and co-operative banks.

What is Reserve Money (M0)?

- Reserve money (M0), also called 'base money' or 'high-powered money', is the highly liquid component of money stock in the economy and plays a crucial role in the determination of other monetary aggregates.
- It represents the total monetary liabilities of the RBI.
- Monetary policy actions and market operations of the RBI that cause changes in the size of its balance sheet could result in changes in the reserve money.

Exercise

- Name the form of money in terms of which all other forms of money in the country are measured?
 - Token Money
 - Standard Money
 - Narrow Money
 - Limited Money
 - Plastic Money
- In Standard Money, its real or 'intrinsic value' is equal to?
 - Its issued value
 - Its authorised value
 - Its paid up value
 - Its face value
 - None of these
- Standard Money is ____ legal tender.
 - Semi unlimited
 - limited
 - Unlimited
 - Semi limited
 - None of these
- Money made up of cheaper metal is known as?
 - Gold money
 - Token Money
 - Plastic Money
 - Silver Money
 - None of these
- Token Money is ____ legal tender.
 - Limited
 - Unorganised tender
 - Semi Limited
 - Unlimited
 - None of these
- Token Money's face value is greater than its ____ value.
 - limited
 - Narrow
 - Unlimited
 - Intrinsic
 - None of these
- Money which was used in the barter system is known as?
 - Optional Money
 - Fiat currency
 - commodity money
 - Narrow Money
 - fiduciary money
- ____ is the kind of money which does not have any intrinsic value.
 - commodity money
 - Fiat currency
 - Narrow Money
 - fiduciary money,
 - commercial bank money
- The value of Fiat currency is determined by?
 - RBI order
 - Government order
 - Finance Ministry order
 - Indian Post order
 - None of these
- Paper money, Coins are examples of _____.
 - Fiat currency
 - commodity money
 - Narrow Money
 - fiduciary money,
 - commercial bank money
- What are the four measures of money supply which are referred by RBI?
 - M3
 - M2
 - M1
 - M4
 - All of the above
- M1 is also called as?
 - fiduciary money
 - commodity money
 - fiat money
 - Narrow money
 - commercial bank money

13. ____ is also referred to as broad money.
 (a) M5 (b) M3 (c) M4
 (d) M1 (e) M2
14. M4 is equal to?
 (a) M3 + total post office deposits
 (b) M3 + Commodity money
 (c) M3 + fiduciary money
 (d) M3 + fiat money
 (e) M3 + Narrow Money
15. Reserve money represents the total monetary liabilities of the RBI. It is indicated by which symbol?
 (a) M1 (b) M2 (c) M0
 (d) M3 (e) M5
16. M2 is equal to?
 (a) M1+ fiat money
 (b) M1 + Narrow Money
 (c) M1 + fiduciary money
 (d) M1 + Short-Term deposits with banks
 (e) Narrow Money

Solutions

1. **(b):** a monetary unit which is designated by a government to serve as the basis of its currency system and into which other types of money in the country are convertible — compare standard of value
2. **(d):** Usually it's real or 'intrinsic value' is equal to its face value.
3. **(c):** The status of money as legal tender means that money can be used for the discharge of debts.
4. **(b):** Token money, or Token, is money that has little intrinsic value compared to its face value.
5. **(a):** It refers to that form of legal tender money, which can be paid in discharge of a debt up to a certain limit.
6. **(d):** Token Money is not subject to free coinage and its face value is greater than its intrinsic or metallic value.
7. **(c):** Commodity Money is money whose value comes from a commodity of which it is made.
8. **(b):** Fiat money is government-issued currency that isn't backed by a commodity such as gold. Fiat money gives governments' central banks greater control over the economy because they control how much currency is printed.
9. **(b):** Fiat money is backed by a country's government instead of a physical commodity.
10. **(a):** Fiat money is government-issued currency generally Notes and coins comes under it
11. **(e):** There are four money supply referred by the RBI
 Narrow Money (M1):
 M1 = Currency with public + Demand deposits with the Banking system (current account, saving account) + Other deposits with RBI
 M2 = M1 + Savings deposits of post office savings banks
 Broad Money (M3)
 M3 = M1 + Time deposits with the banking system
 M4 = M3 + All deposits with post office savings banks
12. **(d):** M1 is also called the narrow Money
 M1 = Currency with public + Demand deposits with the Banking system (current account, saving account) + Other deposits with RBI
13. **(b):** Broad Money is also referred as M3 . M3 = M1 + Time deposits with the banking system
14. **(a):** M4 = M3 + All deposits with post office savings banks
15. **(c):** M0 = Currency in Circulation + Bankers' Deposits with RBI + Other deposits with RBI
 It is the monetary base of economy.
16. **(d):** India Money Supply M2 includes M1 plus short-term time deposits in banks.



Broadly, banks are classified either into commercial banks or as central bank. They are also classified as Scheduled and Non-scheduled Banks. Let's discuss the different types of banks in India.

Scheduled & Non-Schedule Banks

- Under the RBI Act, 1939, banks were classified as scheduled banks and non-scheduled banks.
- Scheduled banks are those which are entered in the second schedule of RBI Act, 1939. These are those banks which are having a paid-up capital and reserves of aggregate value of not less than Rs 5 lakhs.
- All Commercial Banks, Regional Rural Banks, State Cooperative Banks are scheduled banks.
- Non-schedule banks are those banks whose total paid up capital is less than Rs 5 lakh and RBI has no specific control over these banks. These banks are not included in the second schedule of RBI Act, 1934.

Note: In each country there exists a central bank, that controls the money supply and monetary policy of that country. It also acts as a bank to other banks, and a lender of last resort. In India, Reserve Bank of India (RBI) is the Central Bank which decides the monetary Policy.

Commercial Bank

- These are the banks which are doing the banking business, i.e. dealing with general public, accepting deposits from making loans to large numbers of households and firms.
- The process of accepting deposits and lending results in creating the flow of money in the economy. Examples of commercial banks are: State Bank India PNB, ICICI, HDFC, HSBC etc.
- Scheduled commercial banks (SCBs) account for a major proportion of the business of the scheduled banks.
- SCBs in India are categorized based on their ownership and/or their nature of operations.

Types of Scheduled Commercial Banks

- **Public Sector Banks:** These are banks where majority stake is held by the Government of India.
- **Private Sector Banks:** These are banks where the majority of share capital of the bank is held by private individuals. These banks are registered as companies with limited liability. Examples: ICICI Bank, Axis bank, HDFC, etc.
- **Foreign Banks:** These banks are registered and have their headquarters in a foreign country but operate their branches in our country. Examples: HSBC, Citibank, Standard Chartered Bank, etc
- **Regional Rural Banks:** RRBs were established under the provisions of an Ordinance promulgated on the 26th September 1975 and the RRB Act, 1976 with an objective to ensure sufficient institutional credit for agriculture and other rural sectors.
- The area of operation of RRBs is limited to the area as notified by GoI covering one or more districts in the State.
- RRBs are jointly owned by GoI, the concerned State Government and Sponsor Banks.
- The issued capital of a RRB is shared by the owners in the proportion of 50%, 15% and 35% respectively.
- Prathama bank is the first Regional Rural Bank in India located in the city Moradabad in Uttar Pradesh.

Development Banks

- These are specialised financial institutions which are formed to promote economic development in the country.
- These banks provide medium term and long-term loans to entrepreneurs at relatively low interest rates.

Co-operative banks

- Co-operative banks are organised under the provisions of the Cooperative societies law of the state. These banks were originally set up in India to provide credit to the farmers at cheaper rates. However, the co-operative banks function also in the urban sectors.
- It is a financial entity which belongs to its members, who are at the same time the owners and the customers of their bank.

- These banks generally provide their members with a wide range of banking and financial services (loans, deposits, banking accounts, etc).
- These banks are the primary financiers of agricultural activities, some small-scale industries and self-employed workers.
- Co-operative banks function on the basis of “no-profit no-loss”.
- Anyonya Co-operative Bank Limited (ACBL) is the first co-operative bank in India located in the city of Vadodara in Gujarat.
- The co-operative banking structure in India is divided into following main 5 categories:
 1. Primary Urban Co-op Banks
 2. Primary Agricultural Credit Societies
 3. District Central Co-op Banks
 4. State Co-operative Banks
 5. Land Development Banks

Specialized Banks

- Banks which cater to the requirements and provide overall support for setting up business in specific areas of activity can be called as the Specialized banks.
- **EXIM Bank, SIDBI and NABARD** are examples of such banks. These banks are engaged in some specific area or activity and thus, are called specialised banks.

Total Number of Banks in India as per IBA (Indian Banks' Association) Website

- Total PSBs: 12
- Total Private Sector Banks: 22
- RRB's: 43
- Foreign Banks: 46

Exercise

- | | |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>1. Under the RBI Act, 1939, banks were classified as?
 (a) Scheduled (b) Non-scheduled Banks
 (c) Both (a)&(b) (d) Only option (a)
 (e) None of the above</p> <p>2. Banks which are entered in the second schedule of RBI Act, 1939 are known as?
 (a) Co-operative banks (b) Non- Scheduled banks
 (c) Scheduled banks (d) Public sector banks
 (e) None of these</p> <p>3. In Scheduled banks the paid-up capital and reserves of aggregate value is not less than ____.
 (a) Rs. 1 lakhs (b) Rs. 3 lakhs
 (c) Rs. 2.5 lakhs (d) Rs. 5 lakhs
 (e) Rs. 10 lakhs</p> <p>4. Name the type of banks whose total paid up capital is less than Rs. 5 lakh?
 (a) schedule banks (b) Non-scheduled banks
 (c) Co-operative banks (d) Public sector banks
 (e) None of these</p> <p>5. SCBs in India are categorized based on their ownership and/or their nature of operations. What is the full form of SCB?
 (a) Scheduled commerce banks</p> | <p>(b) Scheduled commercial banks
 (c) Scheduled Co-operative banks
 (d) Scheduled company of banks
 (e) None of the above</p> <p>6. In Public Sector Banks majority stake is held by?
 (a) Government of India
 (b) Reserve Bank of India
 (c) Finance Ministry
 (d) Indian Bankers association
 (e) None of these</p> <p>7. Banks in which the majority of share capital of the bank is held by private individuals is known as?
 (a) Co-operative banks
 (b) Public Sector Banks
 (c) Private Sector Banks
 (d) Small finance co-operative Banks
 (e) None of these</p> <p>8. ____ are registered and have their headquarters in a foreign country but operate their branches in our country.
 (a) Foreign Banks (b) Domestic Banks
 (c) Private Banks (d) Commercial Banks
 (e) None of these</p> |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

9. RRBs were established under the provisions of an Ordinance promulgated on the 26th September 1975 and under the Act of?
 (a) Regional Rural Banks Act, 1970
 (b) Regional Rural Banks Act, 1988
 (c) Regional Rural Banks Act, 1935
 (d) The RRB Act, 1976
 (e) None of these
10. RRBs are jointly owned by the Government of India, the concerned State Government and ____.
 (a) Public Banks (b) Private Banks
 (c) Sponsor Banks (d) Borrower Banks
 (e) None of these
11. The issued capital of a RRB is shared by the owners in the proportion of?
 (a) 50%, 15% and 35% respectively
 (b) 50%, 20% and 35% respectively
 (c) 50%, 15% and 30% respectively
 (d) 60%, 25% and 45% respectively
 (e) None of these
12. Co-operative banks are organised under the provisions of?
 (a) Banking Regulation Act, 1949
 (b) the Cooperative Societies Act, 1912.
 (c) Banking Laws (Application to Cooperative Societies) Act, 1965
 (d) The Cooperative societies law of the state
 (e) None of these
13. Co-operative banks function on the basis of ____ principle.
 (a) No-profit no-loss (b) High profit no-loss
 (c) No-profit more loss (d) High-profit High-loss
 (e) None of these
14. Name the first co-operative bank established in India?
 (a) Baroda Uttar Pradesh Gramin Bank
 (b) Baroda Rajasthan Kshetriya Gramin Bank
 (c) Anyonya Co-operative Bank Limited (Vadodara, Gujarat)
 (d) Capital Small Finance Bank Ltd
 (e) Credit Agricole Corporate and Investment Bank
15. EXIM Bank, SIDBI and NABARD are examples of ____ banks.
 (a) Specialized Banks (b) Private Banks
 (c) Economic Banks (d) Public Banks
 (e) None of these
16. Total Number of RRB's in India?
 (a) 50 (b) 43
 (c) 156 (d) 200
 (e) 58
17. Total Number of Scheduled Urban Co-operative Banks in India?
 (a) 41 (b) 36
 (c) 45 (d) 53
 (e) 40

Solutions

1. **(c):** Under the Reserve Bank of India Act, 1939, banks were classified as scheduled banks and non-scheduled banks
2. **(c):** Scheduled Banks in India refer to those banks which have been included in the Second Schedule of Reserve Bank of India Act, 1934.
3. **(d):** Scheduled Commercial Banks have paid up capital and reserves of an aggregate real and exchangeable value of not less than Rs.5 lakhs.
4. **(b):** non-scheduled banks are those banks whose total paid up capital is less than Rs 5 lakh and RBI has no specific control over these banks.
5. **(b):** Scheduled commercial banks is the full form of SCBs
6. **(a):** Public Sector Banks (PSBs) are a major type of bank in India, where a majority stake (i.e. more than 50%) is held by a government.
7. **(c):** Private Sector Banks refers to the banks whose majority of stake is held by the individuals and corporations
8. **(a):** A foreign branch bank is a type of foreign bank that is obligated to follow the regulations of both the home and host countries.
9. **(d):** The Regional Rural Banks (RRBs) were established in 1975 under the provisions of the Ordinance promulgated on 26th September, 1975 and Regional Rural Banks Act, 1976
10. **(c):** RRBs are jointly owned by Government of India, the concerned State Government and Sponsor Banks.
11. **(a):** The Regional Rural Banks were owned by the Central Government, the State Government and the Sponsor Bank (Any commercial bank can sponsor the regional rural banks) who held shares in the ratios as follows Central Government – 50%, State Government – 15% and Sponsor Banks – 35%
12. **(d):** The co-operative banks are govern by respective states rules.

- 13. (a):** The main motive of Co-operative banks are offer services essentially to members who are shareholders of the bank. the objective is not to earn the profit.
- 14. (c):** Anyonya Co-operative Bank Limited (ACBL) located in the city of Vadodara (formerly Baroda) in Gujarat, is the first co-operative bank in India
- 15. (a):** Specialized Banks are banks which concentrate mainly on financing specialized economic and social activities.
- There are three important types of specialized banks in India?
Export Import Bank of India (EXIM Bank)
Small Industries Development Bank of India.
National Bank for Agricultural and Rural Development.
- 16. (b):** There are 43 RRB Banks in India operating by covering 525 districts with a network of 14,494 branches.
- 17. (d):** Scheduled Urban Co-operative Bank- Total 53



What is Pradhan Mantri MUDRA Yojana (PMMY)?

- PMMY is a scheme launched by PM Modi on April 8, 2015 for providing loans upto 10 lakh to the non-corporate, non-farm small/micro enterprises. These loans are classified as MUDRA loans under PMMY.
- These loans to be given by Commercial Banks, RRBs, Small Finance Banks, Cooperative Banks, MFIs and NBFCs.
- The borrower can approach any of the lending institutions mentioned above or can apply online through this portal.

Genesis of MUDRA

- In the Union Budget for FY 2015-16, the formation of MUDRA Bank was announced.
- MUDRA was registered as a Company in March 2015 under the Companies Act 2013 and as a Non-Banking Finance Institution with RBI.
- It was launched by PM Modi on 08 April 2015.

**MUDRA Vision**

- To be an integrated financial and support services provider par excellence benchmarked with global best practices and standards for the bottom of the pyramid universe for their comprehensive economic and social development.

MUDRA Mission

- To create an inclusive, sustainable and value based entrepreneurial culture, in collaboration with our partner institutions in achieving economic success and financial security.

MUDRA Purpose

- Our basic purpose is to attain development in an inclusive and sustainable manner by supporting and promoting partner institutions and creating an ecosystem of growth for the micro enterprises sector.

The MUDRA

- The Micro Units Development & Refinance Agency Ltd (MUDRA) was set up by the Government of India (GoI).
- It was initially formed as a wholly owned subsidiary of Small Industries Development bank of India (SIDBI) with 100% capital being contributed by it.
- Presently, the authorized capital of MUDRA is 1000 crores and paid up capital is 750 crore, fully subscribed by SIDBI.
- It will be responsible for developing and refinancing all Micro-enterprises sectors.
- It will partner with Banks, MFIs and other lending institutions at state level / regional level to provide micro finance support to the micro enterprise sector in the country

Note: Micro Finance is an economic development tool whose objective is to provide income generating opportunities to the people at the bottom of the pyramid. It includes provision of credit, other credit plus services, financial literacy and other social support services.

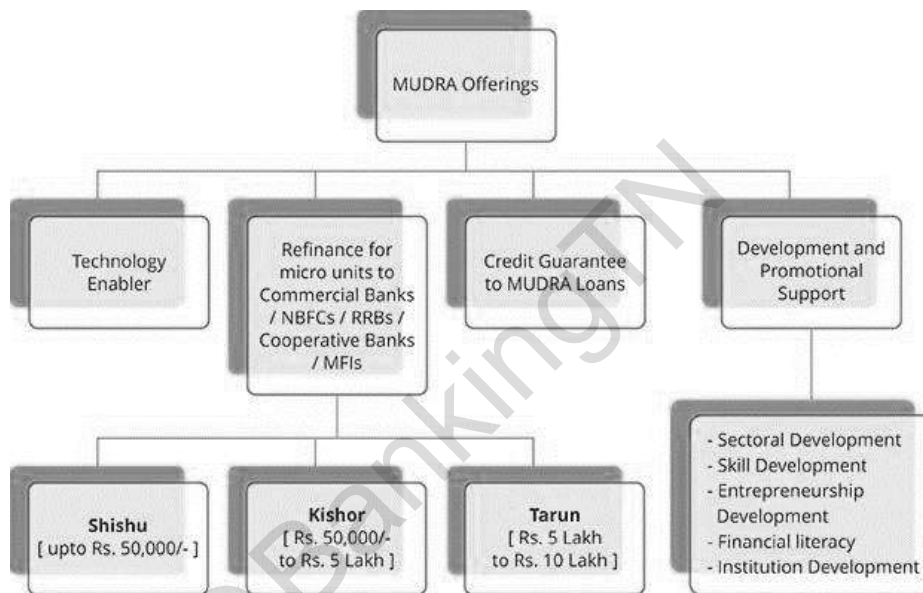
Note: SHRI MOHAMMAD MUSTAFA is the Chairman of MUDRA.

Roles and Responsibilities of MUDRA

- MUDRA has been formed with the primary objective of developing the micro enterprise sector in the country by extending various support including financial support in the form of refinance.
- It will provide refinance support, monitor the PMMY data by managing the web portal, facilitate offering guarantees for loans granted under PMMY and take up other activities assigned to it from time to time.
- MUDRA has put in place a monitoring portal which captures the data on lending under PMMY, in a granular fashion.

The Purpose of Mudra Loan

- Mudra loan is extended for a variety of purposes which provides income generation and employment creation in Manufacturing, Services, Retail and Agri. Allied Activities.
- Under the aegis of Pradhan Mantri Mudra Yojana (PMMY), MUDRA has created products / schemes. The interventions have been named 'Shishu', 'Kishor' and 'Tarun' to signify the stage of growth / development and funding needs of the beneficiary micro unit / entrepreneur.
 - (a) Shishu: covering loans upto Rs. 50,000/-
 - (b) Kishor: covering loans above Rs. 50,000/- and upto Rs. 5 lakhs
 - (c) Tarun: covering loans above Rs. 5 lakh & upto Rs. 10 lakhs
- The funding support from MUDRA are of four types:
 - (d) Micro Credit Scheme (MCS) for loans upto 1 lakh finance through MFIs.
 - (e) Refinance Scheme for Commercial Banks / Regional Rural Banks (RRBs) / Scheduled Co-operative Banks
 - (f) Women Enterprise programme
 - (g) Securitization of loan portfolio



What is the Refinance Scheme for Banks?

- Different banks like Commercial Banks, Regional Rural Banks and Scheduled Cooperative Banks are eligible to avail of refinance support from MUDRA for financing micro enterprise activities.
- The refinance is available for term loan and working capital loans, upto an amount of Rs. 10 lakh per unit.

What is MUDRA Card?

- MUDRA Card is an innovative product which provides working capital facility as a cash credit arrangement.
- MUDRA Card is a debit card issued against the MUDRA loan account, for the working capital portion of the loan.
- National Payment Corporation of India (NPCI) has given RuPay branding to MUDRA Card and also separate BIN / IIN for the same, by which credit history can be tracked.



Note: MUDRA loans i.e. loans upto Rs. 10 lakh, have been made collateral free, as per the RBI norms for the Micro units.

Note:

- To mitigate the issue of collaterals, MUDRA is offering a Credit Guarantee Product. MUDRA Credit Guarantee is extended by creation of a Fund called "Credit Guarantee Fund for Micro Units" [CGFMU].
- Accordingly, all eligible micro loans sanctioned since April 08, 2015 are covered under the Scheme.
- The Scheme is being managed by National Credit Guarantee Trustee Company Ltd. [NCGTC], an agency promoted by the GOI.

Achievements Under PMMY Since Inception	
Financial Year :	: 2017-2018
No. Of PMMY Loans Sanctioned :	: 48130593
Amount Sanctioned :	: 253677.10 CRORE
Amount Disbursed :	: ₹ 246437.40 CRORE

Last Updated on: 31/03/2018

Exercise

- What is the full form of PMMY?
 - Prime minister mudra yojana
 - Pradhan mukhiya Mudra Yojana
 - Pradhan mantri monetary yojana
 - Pradhan Mantri MUDRA Yojana
 - None of these
- PMMY is a scheme launched by PM Modi on
 - April 8, 2014
 - April 9, 2015
 - April 10, 2015
 - April 8, 2016
 - April 8, 2015
- PMMY is providing loans upto _____ to the non-corporate, non-farm small/micro enterprises.
 - 5 lakh
 - 10 lakh
 - 15 lakh
 - 12 lakh
 - None of these
- MUDRA was registered as a Company in March 2015 under which act and as a Non-Banking Finance Institution with RBI?
 - The Companies Act 2013
 - The Companies Act 1956
 - The Companies Act 2010
 - The Companies Act 2019
 - None of these
- What is the full form of MUDRA?
 - Medium Units Development & Refinance Agency Ltd
 - Macro Units Development & Refinance Agency Ltd
 - Micro Units Development & Refinance Agency Ltd
 - Micro units development & refinery Agency Ltd
 - None of these
- MUDRA was initially formed as a wholly owned subsidiary of which bank?
 - Small Industries Development bank of India (SIDBI)
 - Reserve Bank of India
 - State bank of India
 - Government of India
 - None of these
- The authorized capital of MUDRA is _____.
 - 100 crore
 - 500 crore
 - 250 crore
 - 1000 crores
 - 1500 crore
- The paid-up capital of MUDRA is _____.
 - 250 crore
 - 500 crore
 - 750 crore
 - 1000 crore
 - 100 crore
- Which of the following schemes are offered by MUDRA bank?
 - 'Shishu',
 - 'Kishor'
 - Tarun'
 - All of the above
 - None of these
- What is the maximum amount of loan that can be given under the product Shishu of Pradhan Mantri MUDRA Yojana?
 - Rs 50,000
 - Rs 100,000
 - Rs 25000
 - Rs 250000
 - None of these
- What is the maximum amount of loan that can be given under the product Kishor of Pradhan Mantri MUDRA Yojana?
 - Rs 50,000
 - Rs 1,00,000
 - Rs 10,00,000
 - Rs 5,00,000
 - None of these

- 12.** What is the maximum amount of loan that can be given under the product Tarun of Pradhan Mantri MUDRA Yojana?
 (a) Rs 15,00,000 (b) Rs 50,00,000
 (c) Rs 10,00,000 (d) Rs 5,00,000
 (e) None of these
- 13.** The refinance is available for term loan and working capital loans, upto an amount of ___per unit.
 (a) Rs. 15 lakhs (b) Rs. 10 lakhs
 (c) Rs. 5 lakhs (d) Rs. 20 lakhs
 (e) None of these
- 14.** What is the full form of the CGFMU?
 (a) Credit Guarantee Fund for Micro Units
 (b) Costumer Guarantee Fund for Micro Units
 (c) Company Guarantee Fund for Micro Units
 (d) Control Guarantee Fund for Micro Units
 (e) None of these
- 15.** What is the full form of NCGTC?
 (a) National Credit Guarantee Trustee corporation Ltd.
 (b) National company Guarantee Trustee Company Ltd.
 (c) National Credit Guarantor Trustee Company Ltd.
 (d) National Credit Guarantee Trustee Company Ltd.
 (e) None of these
- 16.** the NCGTC was formed in which year?
 (a) 2013 (b) 2016
 (c) 2014 (d) 2011
 (e) None of these
- 17.** NCGTC was incorporated under which act?
 (a) the Companies Act 1956
 (b) The Companies Act 2013
 (c) The Companies Act 2010
 (d) The Companies Act 2019
 (e) None of these

Solutions

- 1. (d):** The full form of MUDRA is Micro Units Development & Refinance Agency Ltd.
- 2. (e):** The scheme was launched on 8th April 2015
- 3. (b):** the scheme a loan of upto Rs. 50,000 is given under sub-scheme 'Shishu'; between Rs. 50,000 to 5.0 Lakhs under sub-scheme 'Kishore'; and between 5.0 Lakhs to 10.0 Lakhs under sub-scheme 'Tarun'. Loans taken do not require collaterals.
- 4. (a):** MUDRA was registered as a Company in March 2015 under the Companies Act 2013 and as a Non Banking Finance Institution with the RBI on 07 April 2015
- 5. (c):** Micro Units Development and Refinance Agency Bank
- 6. (a):** MUDRA has been initially formed as a wholly owned subsidiary of Small Industries Development bank of India (SIDBI) with 100% capital being contributed by it.
- 7. (d):** the authorized capital of MUDRA is 1000 crores and paid up capital is 750 crore, fully subscribed by SIDBI.
- 8. (c):** the authorized capital of MUDRA is 1000 crores and paid up capital is 750 crore, fully subscribed by SIDBI.
- 9. (d):** There are three schemes, namely Tarun, Kishor, and Shishu.
 Shishu: scheme offers loans up to Rs.50,000
 Kishor: scheme offers loans more than Rs.50,000 and less than Rs.5 lakh
 Tarun: scheme offers loans more than Rs.5 lakh and below Rs.10 lakh
- 10. (a):** Pradhan Mantri MUDRA Yojana (PMMY) Shishu : covering loans upto 50,000/-
- 11. (d):** kishor : covering loans above 50,000/- and upto 5 lakh
- 12. (c):** . Tarun : covering loans above 5 lakh and upto 10 lakh.
- 13. (b):** Different banks like Commercial Banks, Regional Rural Banks, Small Finance Banks and NBFCs are eligible to avail of refinance support from MUDRA for financing micro enterprise activities. The refinance is available for term loan and working capital loan up to an amount of 10 lakh per unit.
- 14. (a):** Credit Guarantee fund for Micro Units
- 15. (d):** NCGTC means National Credit Guarantee Trustee Company
- 16. (c):** NCGTC was set on March 28, 2014
- 17. (a):** National Credit Guarantee Trustee Company set up on March 28, 2014 by Government of India under the Companies Act 1956 to act as the Trustee to operate the Credit Guarantee Funds for Educational Loans, Skill Developments Loans and any other funds to be set up by Government of India from time to time.

Reserve Bank of India released the Guidelines for Licensing of Small Finance Banks (SFB) in the Private Sector. Let's discuss the key features of the Small Finance Banks.

Objectives behind the Small Finance Banks formation

To further financial inclusion by:

- provision of savings vehicles.
- supply of credit to small business units; small and marginal farmers; micro and small industries; and other unorganised sector entities, through high technology-low cost operations.

Who are the Eligible promoters i.e. who can apply for the Small Finance Banks?

- Resident individuals/professionals with **10 years of experience in banking and finance**; and companies and societies owned and controlled by residents will be 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.
- Promoter/promoter groups should be **'fit and proper' with a sound track record of professional experience or of running their businesses** for at least a period of **five years** in order to be eligible to promote small finance banks.

What the Small Finance Bank can do i.e. Scope of activities

- It shall primarily undertake basic banking activities of acceptance of deposits and lending to unserved and underserved sections including small business units, small and marginal farmers, micro and small industries and unorganised sector entities.
- There will not be any restriction in the area of operations of small finance banks.

Capital requirement & Promoter's Contribution

- The minimum paid-up equity capital for small finance banks shall be Rs. 100 crores.
- The promoter's minimum initial contribution to the paid-up equity capital of a small finance bank shall be at least 40% and gradually brought down to 26% within 12 years from the date of commencement of business of the bank.
- Note: 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.

Prudential norms to be followed by SFB

- SFB will be subject to all prudential norms and regulations of RBI as applicable to existing commercial banks including requirement of maintenance of Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR).
- SFB will be required to extend 75% of its Adjusted Net Bank Credit (ANBC) to the sectors eligible for classification as priority sector lending (PSL) by the Reserve Bank.
- At least 50% of its loan portfolio should constitute loans and advances of upto Rs. 25 lakh.

Who all were granted the "in-principle" approval to set up small finance banks?

RBI decided to grant "in-principle" approval to the following 10 applicants to set up small finance banks.

- Au Financiers (India) Ltd., Jaipur
- Capital Local Area Bank Ltd., Jalandhar
- Disha Microfin Private Ltd., Ahmedabad
- Equitas Holdings P Limited, Chennai
- ESAF Microfinance and Investments Private Ltd., Chennai
- Janalakshmi Financial Services Private Limited, Bengaluru

- RGVN (North East) Microfinance Limited, Guwahati
- Suryoday Micro Finance Private Ltd., Navi Mumbai
- Ujjivan Financial Services Private Ltd., Bengaluru
- Utkarsh Micro Finance Private Ltd., Varanasi

Head Office of Small Finance Banks

- Au Financiers (India) Ltd., Jaipur
- Capital Local Area Bank Ltd., Jalandhar
- Disha Microfin Private Ltd., Ahmedabad
- Equitas Holdings P Limited, Chennai
- ESAF Microfinance & Investments Private Ltd., Registered Office- Chennai, Corporate Office- Thrissur (Kerala)
- Janalakshmi Financial Services Private Limited, Bengaluru
- RGVN (North East) Microfinance Limited, Guwahati
- Suryoday Micro Finance Private Ltd., Navi Mumbai
- Ujjivan Financial Services Private Ltd., Bengaluru
- Utkarsh Micro Finance Private Ltd., Varanasi

Key Point

Capital Small Finance Bank

Vishwas Se Vikas Tak

Jalandhar-based Capital Local Area Bank (CLAB) becomes India's first small area finance bank (SFB).

Exercise

- Resident individuals/professionals with _____ of experience in banking and finance will be eligible to set up small finance banks.
 - 5 years
 - 10 years
 - 15 years
 - 20 years
 - None of these
- What is the minimum paid-up equity capital for small finance banks?
 - Rs 150 crore
 - Rs 200 crore
 - Rs 50 crore
 - Rs 100 crore
 - Rs 300 crore
- What should be the promoter's minimum initial contribution to the paid-up equity capital of a small finance bank?
 - 42%
 - 60%
 - 45%
 - 39%
 - 40%
- The promoter's minimum initial contribution to the paid-up equity capital of small finance banks shall be at least 40 per cent. But if the initial shareholding by a promoter in the bank is in excess of 40 per cent, it should be brought down to 40 per cent within a period of ____ years.
 - 5
 - 7
 - 4
 - 6
 - 3
- The promoter's minimum initial contribution to the paid-up equity capital of a small finance bank shall be at least 40 per cent and gradually brought down to _____ within 12 years from the date of commencement of business of the bank.
 - 24%
 - 25%
 - 26%
 - 30%
 - 23%
- At least _____ of the loan portfolio of Small Finance Banks should constitute loans and advances of upto Rs. 25 lakhs.
 - 49%
 - 50%
 - 51%
 - 55%
 - 60%
- The decision to issue an in-principle approval for setting up of a Small Finance bank will be taken by _____.
 - SIDBI
 - Government of India
 - Reserve bank of India
 - Ministry of finance
 - None of these
- Which of the following is the first Small Finance Bank of the country?
 - ESAF Small Finance Bank.
 - Equitas Small Finance Bank.
 - A U Small Finance Bank.
 - Capital Small Finance Bank
 - Suryoday Small Finance Bank.

9. The maximum loan size and investment limit for a small finance bank to a group borrower is restricted to what percent of the capital fund?
 (a) 25% (b) 16%
 (c) 14% (d) 12%
 (e) 15%
10. Under which section of the Banking Regulation Act, 1949, small finance banks are licensed?
 (a) Section 22 (b) Section 30
 (c) Section 32 (d) Section 52
 (e) Section 20
11. A Small Finance Bank is required to maintain a minimum capital adequacy ratio of what percent of its risk weighted assets (RWA) on a continuous basis?
 (a) 14% (b) 15%
 (c) 13% (d) 12%
 (e) 10%
12. What is the maximum FDI limit in a Small Finance Bank?
 (a) 75% (b) 74%
 (c) 72% (d) 70%
 (e) None of these
13. The maximum loan size and investment limit for a small finance bank to a single borrower is restricted to ___% and ___% of the capital fund, respectively?
 (a) 30, 50 (b) 20, 30
 (c) 10, 15 (d) 15, 30
 (e) None of these
14. Which of the following committees recommended the creation of Small Finance Banks in India?
 (a) Usha Thorat Committee
 (b) Deepak Mohanty Committee
 (c) C Rangarajan committee
 (d) Nachiket Mor Committee
 (e) Narasimham Committee
15. Which SFBs have headquarters in Bengaluru city of Karnataka?
 (a) Ujjivan Small Finance Bank & Janalakshmi Small Finance Bank
 (b) Utkarsh Small Finance Bank.
 (c) Suryoday Small Finance Bank.
 (d) Fincare Small Finance Bank.
 (e) None of these
16. Capital Small Finance Bank is headquartered at _____.
 (a) Jalandhar (b) Mumbai
 (c) New Delhi (d) Kolkata
 (e) None of these
17. Disha Microfin Private Ltd is Headquarter at
 (a) Jalandhar (b) Chennai
 (c) Ahmedabad (d) Mumbai
 (e) Kolkata
18. The headquarters of Equitas Small Finance Bank is _____.
 (a) Kolkata (b) Jalandhar
 (c) Mumbai (d) Chennai
 (e) None of these
19. Headquarters of ESAF Small Finance Bank is _____.
 (a) Chennai (b) Thrissur, Kerala
 (c) Jalandhar (d) Mumbai
 (e) Kolkata
20. North East Small Finance Bank Limited, north-east India's first small finance bank is headquartered at _____.
 (a) Mumbai (b) Thrissur, Kerala
 (c) Chennai (d) Jalandhar
 (e) Guwahati
21. The headquarters of Suryoday Small Finance Bank is _____.
 (a) Navi Mumbai (b) Guwahati
 (c) Thrissur, Kerala (d) Chennai
 (e) Jalandhar
22. Utkarsh Small Finance Bank is headquartered at _____.
 (a) Chennai (b) Guwahati
 (c) Thrissur, Kerala (d) Varanasi
 (e) Jalandhar

Solutions

1. **(b): Resident individuals/professionals** with 10 years of **experience in banking and finance**; Companies and societies owned and controlled by **residents will be eligible to set up small finance banks.**
2. **(d): The minimum paid-up equity capital for small finance banks** shall be Rs. 100 crore
3. **(e): The promoter's minimum initial contribution to the paid-up equity capital** of such **small finance bank** shall at **least** be 40 per cent. If the **initial** shareholding by **promoter in the bank** is in excess of 40 per cent, it **should** be brought down to 40 per cent within a period of five years.
4. **(a):** The promoter's minimum initial contribution to the paid-up equity capital of such a small finance bank shall at least be 40 per cent. If the initial shareholding by promoter in the bank is in excess of 40 per cent, it should be brought down to 40 per cent within a period of five years and the promoter's minimum contribution of 40 percent

of paid-up equity capital shall be locked in for a period of five years from the date of commencement of business of the bank.

5. (c): **The promoter's minimum initial contribution to the paid-up equity capital of such small finance bank shall at least be 40 per cent and gradually brought down to 26 per cent within 12 years from the date of commencement of business of the bank.**
 6. (b): **The small finance banks will be required to extend 75 per cent of its Adjusted Net Bank Credit (ANBC) to the sectors eligible for classification as priority sector lending (PSL) by the Reserve Bank. At least 50 per cent of its loan portfolio should constitute loans and advances of upto Rs. 25 lakh.**
 7. (c): **Reserve bank of India**
 8. (d): **Capital Small Finance Bank Ltd is the country's first small finance bank opened in Jalandhar. It is first among the 10 entities that were given the in-principle approval by the Reserve Bank of India (RBI) to set up small finance banks.**
 9. (e): **The maximum loan size and investment limit exposure to a single and group obligor would be restricted to 10% and 15% of its capital funds**
 10. (a): **Small Finance Banks are registered as public limited company and are licensed under section 22 of the Banking Regulation, 1949 and primarily governed by Banking Regulation Act, 1949 and RBI Act, 1934.**
 11. (b): **it shall be required to maintain a minimum capital adequacy ratio of 15 per cent of its risk weighted assets (RWA) on a continuous basis, subject to any higher percentage as may be prescribed by RBI from time to time.**
 12. (b): **As per the current FDI policy, the aggregate foreign investment in a private sector bank from all sources will be allowed up to a maximum of 74 per cent of the paid-up capital of the bank**
- (automatic up to 49 per cent and approval route beyond 49 per cent to 74 per cent).
 13. (c): **The maximum loan size and investment limit exposure to a single and group obligor would be restricted to 10 percent and 15 per cent of its capital funds, respectively.**
 14. (d): **The idea of the Small Finance Bank was framed on the recommendation of the Nachiket Mor Committee on financial inclusion.**
 15. (a): **Ujjivan Small Finance Bank & Janalakshmi Small Finance Bank both have headquarter in Bengaluru city of Karnataka**
 16. (a): **Capital Small Finance Bank Limited started operations as India's 1st Small Finance Bank on April 24, 2016 after conversion from Capital Local Area Bank. In Jalandhar Punjab 4**
 17. (c): **Disha Microfin Pvt. Ltd. - Ahmedabad-headquartered NBFC-MFI focussed on microcredit in Gujarat, Madhya Pradesh Rajasthan and Karnataka.**
 18. (d): **Equitas Small Finance Bank is a small finance bank founded in 2007 by Equitas as a microfinance lender, with headquarters in Chennai, India.**
 19. (b): **Before becoming a bank, ESAF was a non-banking finance company and microfinance institution (NBFC-MFI), licensed by the Reserve Bank of India (RBI) and headquartered in Thrissur city of Kerala.**
 20. (e): **North East Small Finance bank (NESFB), Northeast India's first small bank has started its services on 17 June, 2018 in Assam**
 21. (a): **Suryoday Small Finance Bank is a new bank that started on January 23rd 2017. In navi Mumbai**
 22. (d): **Utkarsh Small Finance Bank is a proud solitary Small Finance Bank from Varanasi. Established in 2009 with the mission to empower the low-income group financially**



Reserve Bank of India released the Guidelines for Licensing of Payments Banks. Let's discuss the key features of Payment Banks.

Objectives behind the Payments Banks formation

To further financial inclusion by:

- provision of savings vehicles.
- supply of credit to small business units; small and marginal farmers; micro and small industries; and other unorganised sector entities, through high technology-low cost operations.

Who are the Eligible promoters i.e. who can apply for the Payments Banks?

- Existing non-bank Prepaid Payment Instrument (PPI) issuers.
- Other entities such as individuals / professionals;
- Non-Banking Finance Companies (NBFCs), corporate Business Correspondents (BCs), mobile telephone companies, super-market chains, companies, real sector cooperatives; **that are owned and controlled by residents**; and public-sector entities may apply to set up payments banks.

Note: A promoter/promoter group can have a joint venture with an existing scheduled commercial bank to set up a payments bank.

- Promoter/promoter groups should be **'fit and proper' with a sound track record of professional experience or of running their businesses** for at least a period of **five years** in order to be eligible to promote payments banks.

What the Payments Banks can do i.e. Scope of activities

- Acceptance of demand deposits. Payments bank will initially be restricted to holding a maximum balance of Rs. 100,000 per individual customer.
- Issuance of ATM/debit cards. Payments banks, however, cannot issue credit cards.
- Payments and remittance services through various channels.
- BC of another bank, subject to the Reserve Bank guidelines on BCs.
- Distribution of non-risk sharing simple financial products like mutual fund units and insurance products, etc.

Deployment of Funds under Payments Banks

- The payments bank **cannot undertake lending activities**.
- Apart from amounts maintained as CRR with the Reserve Bank on its outside demand and time liabilities, it will be required **to invest minimum 75 per cent of its "demand deposit balances" in Statutory Liquidity Ratio (SLR) eligible Government securities/treasury bills with maturity up to one year**.
- **To Hold maximum 25% in current and time/fixed deposits with other scheduled commercial banks** for operational purposes and liquidity management.

Capital requirement & Promoter's Contribution

- The minimum paid-up equity capital for payments banks shall be Rs. 100 crore.
- Payments bank should have a leverage ratio of not less than 3%, i.e., its outside liabilities should not exceed 33.33 times its net worth (paid-up capital and reserves).
- The promoter's minimum initial contribution to the paid-up equity capital of such payments banks shall be at least 40% for the first five years from the commencement of its business.

Note: The foreign shareholding in payments banks would be as per the Foreign Direct Investment (FDI) policy for private sector banks as amended from time to time.

Note: The operations of the bank should be fully networked and technology driven from the beginning, conforming to generally accepted standards and norms.

- The bank should have a high-powered Customer Grievances Cell to handle customer complaints.

Who all were granted the “in-principle” approval to set up Payments Banks?

Reserve Bank of India decided to grant “in-principle” approval to the following 11 applicants to set up payments banks.

- Aditya Birla Nuvo Limited
- Airtel M Commerce Services Limited
- Cholamandalam Distribution Services Limited
- Department of Posts
- Fino PayTech Limited
- National Securities Depository Limited
- Reliance Industries Limited
- Shri Dilip Shantilal Shanghvi
- Shri Vijay Shekhar Sharma
- Tech Mahindra Limited
- Vodafone m-pesa Limited

Head Office of Payments Banks

- **Aditya Birla Nuvo Limited**- Veraval, Gujarat
- **Airtel M Commerce Services Limited**- Registered Office- New Delhi, Corporate Office- Gurugram, Haryana
- **Cholamandalam Distribution Services Limited**- Chennai
- **Department of Posts (IPPB)**- New Delhi
- **Fino PayTech Limited**- Navi Mumbai
- **National Securities Depository Limited**- Mumbai
- **Reliance Industries**- Mumbai
- **Vodafone m-pesa Limited**- Mumbai

Key Point

India's first Payments Bank is Airtel Payments Bank that started its services in Rajasthan.

Exercise

- | | |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ol style="list-style-type: none"> 1. Which is India's first Payments Bank?
 (a) Voda Payments Bank
 (b) Airtel Payments Bank
 (c) Phonepe Payments Bank
 (d) Bajaj finance Payments Bank
 (e) Paytm Payments Bank 2. Airtel Payments Bank was launched in?
 (a) March 2017 (b) April 2017
 (c) January 2018 (d) January 2017
 (e) February 2017 3. Payments banks are initially restricted to holding a maximum balance of _____ per individual customer.
 (a) Rs. 200,000 (b) Rs. 300,000
 (c) Rs. 100,000 (d) Rs. 400,000
 (e) Rs. 500,000 | <ol style="list-style-type: none"> 4. Which type of banks cannot issue Credit cards?
 (a) Public sector Banks
 (b) Payments banks
 (c) Private sector Banks
 (d) Cooperative sector banks
 (e) Debit cards 5. Payments banks will be required to invest minimum what percent of its "demand deposit balances" in Statutory Liquidity Ratio (SLR) eligible Government securities/treasury bills with maturity up to one year?
 (a) 75 per cent (b) 25 per cent
 (c) 45 per cent (d) 55 per cent
 (e) 95 per cent 6. For operational purposes and liquidity management Payment banks need to hold maximum _____ in current |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

- and time/fixed deposits with other scheduled commercial banks.
- (a) 55% (b) 15%
(c) 45% (d) 25%
(e) 75%
7. What shall be the minimum paid-up equity capital for payments banks?
(a) Rs. 300 crore (b) Rs. 1000 crore
(c) Rs. 100 crore (d) Rs. 200 crore
(e) Rs. 500 crore
8. Payments banks should have a leverage ratio of?
(a) Not less than 2% (b) Not less than 3%
(c) Not less than 1% (d) Not less than 5%
(e) Not less than 4%
9. What shall be the promoter's minimum initial contribution to the paid-up equity capital of payments bank?
(a) 60% (b) 40%
(c) 10% (d) 30%
(e) 50%
10. The promoter's minimum initial contribution into the paid-up equity capital of payments bank for the first ____ from the commencement of its business.
(a) Five years (b) Two years
(c) Three years (d) Four years
(e) None of these
11. What percent of FDI is allowed in payment banks?
(a) 70 per cent (b) 72 per cent
(c) 74 per cent (d) 76 per cent
(e) 75 per cent
12. The head office of Airtel Payments Bank Limited is situated in?
(a) Kolkata (b) Mumbai
(c) Noida (d) New Delhi
(e) None of these
13. IPPB launched by Prime Minister Narendra Modi at Talkatora Stadium in New Delhi on?
(a) 1st April 2018 (b) 1st September 2018
(c) 3rd September 2018 (d) 2nd September 2018
(e) 1st September 2019
14. On 19 August 2015, the Reserve Bank of India gave "in-principle" licences to ____ entities to launch payments banks.
(a) 11 (b) 13
(c) 20 (d) 15
(e) 12
15. Headquarters of Fino Payments Bank Limited is situated in-
(a) Noida (b) New Delhi
(c) Navi Mumbai (d) Kolkata
(e) None of these
16. Headquarters of Paytm Payments Bank is situated in-
(a) Kolkata (b) New Delhi
(c) Navi Mumbai (d) Noida
(e) None of these
17. Headquarters of Indian Post Payments Bank is situated in-
(a) Noida (b) New Delhi
(c) Navi Mumbai (d) Kolkata
(e) None of these
18. Headquarters of Jio payments Bank is situated in-
(a) New Delhi (b) Noida
(c) Navi Mumbai (d) Kolkata
(e) None of these
19. Headquarters of Aditya Birla Idea Payments Bank is situated in-
(a) Noida (b) Mumbai
(c) New Delhi (d) Kolkata
(e) None of these

Solutions

1. **(b):** Airtel Payments Bank is a subsidiary of Bharti Airtel. It is the first company in India to receive a payments bank license from the Reserve Bank of India and it became the first live payments bank in the country.
2. **(d):** Airtel Payments Bank was launched in the year January 2017
3. **(c):** Payment banks can accept deposits restricted to Rs. 1 lakh per customer,
4. **(b):** the payment banks can't issue credit cards, they can issue ATM and debit cards.
5. **(a):** These banks are required to invest a minimum 75% of its "demand deposit balances" in Statutory Liquidity Ratio (SLR) eligible Government securities/treasury bills with maturity up to one year.
6. **(d):** To hold maximum 25 per cent in current and time / fixed deposits with other scheduled commercial banks for operational purposes and liquidity management.
7. **(c):** The minimum paid-up voting equity capital for small finance banks shall be Rs. 200 crore

8. **(b):** The payments bank should have a leverage ratio of not less than 3 per cent
9. **(b):** Promoter's minimum initial contribution to the overall paid-up equity capital of the payment bank needs to be at least 40% for the initial 5 years after the commencement of business
10. **(a):** Promoter's minimum initial contribution to the overall paid-up equity capital of the payment bank needs to be at least 40% for the initial 5 years after the commencement of business
11. **(c):** FDI of 74 per cent is allowed in payment banks.
12. **(d):** The head office of Airtel Payments Bank Limited is situated in New Delhi
13. **(b):** India Post Payments Bank was launched on 1st September 2018 by Prime Minister Narendra Modi.
14. **(a):** On 19 August 2015, the Reserve Bank of India gave "in-principle" licences to eleven entities to launch payments banks.
15. **(c):** Fino Payments Bank - Head Office is located at Maharashtra state and in Navi Mumbai
16. **(d):** Headquarters of Paytm Payments Bank is situated in Noida
17. **(b):** Headquarters of Indian Post Payments Bank is situated in New Delhi
18. **(c):** The headquarter of Jio payments Bank is situated in Nvi Mumbai.
19. **(b):** The headquarter of Aditya Birla Idea Payments Bank Ltd. is situated in Mumbai.



- There are many different payment methods out there: cash, debit cards, credit cards, ATM cards, and much more.
- All of these cards are different methods of payment, but some help you build your credit history and others do not.
- Types of payment cards can be distinguished on the basis of the features of each type of card, including:
 - ❖ **Credit card**
 - ❖ **Charge card**
 - ❖ **Debit card**
 - ❖ **Prepaid Card**
 - ❖ **ATM card**
 - ❖ **Smart Card**

Cards That Build Credit: Credit Cards and Charge Cards

Credit Cards

- A credit card allows you to make purchases with borrowed money, known as credit.
- As you spend and make purchases on your credit card, you will begin to build up a balance that needs to be repaid at the end of every month.
- The more immediate benefits of having a credit card are extra purchasing power and flexibility.
- Most businesses accept credit cards, and some services, including Uber and car rental agencies, only take payment from a credit card.

Charge Card

- Charge cards offer large, often unlimited, credit limits for cardholders.
- The main difference between a charge card and credit card is that any charges made with a charge card must be paid in full by the end of every month. There is no minimum balance.
- Not paying your full balance on a charge card will result in fees and penalties.
- A charge card will build your credit history, however, a strong credit score is typically needed to be approved for a charge card.

Cards That Do Not Build Credit: Debit Cards, Prepaid Cards

Debit Card

- When you first open a checking account with a bank, you will most likely be asked to deposit money into this account. A debit card and your bank account are directly connected.
- Using a debit card will automatically deplete your bank account's funds. Most debit cards will have a credit network like VISA or Mastercard logo on them.
- Having these credit networks printed on them means that the debit card is accepted as a form of payment in many places.
- Despite this, using a debit card will not build your credit history.
- On a side note, a debit card can also be used to withdraw or deposit cash from an ATM. There are also cards specifically designed for this purpose called an ATM card.
- A debit card is secured by a 4-digit PIN for transactions at retail outlets, and at ATMs, and a 6 digit 3D secure password for online transactions which make the card secure from any fraudulent usage.

Prepaid Card

- Prepaid cards can be bought at department stores. When you purchase a prepaid card, you are loading money into it.
- After using all of your funds in your prepaid card, you can then reload it with additional money.
- A prepaid card eliminates the need for carrying cash but does not help build your credit history.

ATM card-

- An ATM card is a PIN-based card. That means that in addition to using it at ATMs, you may also be able to use it to make purchases (by entering your Personal Identification Number) if the merchant is using one of the same electronic ATM networks that's listed on the back of your card.

Key Differences— ATM Card vs. Debit Card-

- ATM Cards: Can only be used at ATMs
- Debit Cards: Can be used anywhere, but require a deposit

Smart Card-

- A smart card is a security token that has an embedded chip. Smart cards are typically the same size as a driver's license and can be made out of metal or plastic.
- They connect to a reader either by direct physical contact (also known as chip and dip) or through a short-range wireless connectivity standard such as Near Field Communication (NFC).
- The chip on a smart card can be either a microcontroller chip or an embedded memory chip.
- Smart cards are designed to be tamper-resistant and use encryption to provide protection for in-memory information.
- Those cards with a microcontroller chip have the ability to perform on-card processing functions and can add, delete and manipulate information in the chip's memory.

Exercise

- Which of the following cards can be used for payment cards?
 - Charge card
 - Debit card
 - Prepaid Card
 - ATM card
 - All of the above
- Which type of cards helps in building credit scores?
 - Debit card
 - Charge card
 - Credit card
 - Prepaid Card
 - None of these
- Which of the following is also known as the check card?
 - Premium card
 - Credit card
 - Gift card
 - Debit card
 - None of these
- Which of the following is the association of credit cards?
 - Rupay card
 - Master card
 - PNB card
 - SBI card
 - None of these
- The Hot card is generally referred to with the credit card. What does this Hot card mean?
 - Newly issued card
 - Stolen card
 - Card with high limit
 - Old card
 - Invalid card
- Which public sector bank launched the first credit card in India ?
 - Central Bank of India
 - State bank of India
 - Union bank of India
 - Punjab national bank
 - None of these
- The smart money also known as?
 - Express card
 - Debit card
 - Credit card
 - Payment banks card
 - None of these
- Which of the following is the first recognised Credit card facility of the world
 - Visa card
 - Master card
 - Rupay card
 - SBI card
 - None of these
- Which card facility launched the KISAN CARD in India?
 - SBI card
 - Master card
 - Visa card
 - Rupay card
 - None of these
- In terms of ATMs, what does PIN stand for?
 - Personal Indian Number
 - Personal Internet Number
 - Personal Identification Number
 - Private Identification Number
 - None of these

Solutions

1. **(e):** Types of payment cards are:-
 - Credit card
 - Charge card
 - Debit card
 - Prepaid Card
 - ATM card
 - Smart Card
2. **(c):** A credit card allows you to make purchases with borrowed money, known as credit.
3. **(d):** A debit card—also known as a check card
4. **(b):** major associations are Visa, MasterCard, American Express and Discover.
5. **(b):** credit card that may not be used because it has been reported lost or stolen
6. **(a):** The Central Bank of India was the first public bank to introduce Credit cards.
7. **(c):** Credit cards are sometimes considered as smart money since they enable transactions without the need for physical cash.
8. **(a):** In 1977, Visa was adopted internationally and became the first credit card facility to be recognised worldwide.
9. **(d):** RuPay also provides a unified "Kisan card", issued by banks across the country as the Kisan Credit Card, enabling farmers to transact business on ATMs and PoS terminals.
10. **(c):** PIN stands for Personal Identification Number



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What is an Automated Teller Machine (ATM)?

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

What are White Label ATMs (WLAs)?

- ATMs set up, owned and operated by non-banks are called White Label ATMs.
- Non-bank ATM operators are authorized under Payment & Settlement Systems Act, 2007 by the Reserve Bank of India.
Note: The rationale of allowing non-bank entities to set up White Label ATMs has been to increase the geographical spread of ATMs for increased / enhanced customer service.

What type of cards can be used at an ATM/WLA?

- The ATM/ATM cum debit cards, credit cards and open prepaid cards (that permit cash withdrawal) issued by banks can be used at ATMs/WLAs for various transactions.

Services/facilities available at ATMs/WLAs:

In addition to cash dispensing, ATMs/WLAs may offer many other services/facilities to bank customers which includes:

- Account Information
- Cash Deposit (**Acceptance of deposits are not permitted at WLAs**)
- Regular Bills Payment (**not permitted at WLAs**)
- Purchase of Re-load Vouchers for Mobiles (**not permitted at WLAs**)
- Mini/Short Statement
- PIN change
- Request for Cheque Book

ATM Transaction can be done with?

- Customer inserts /swipes his/her Card in the ATM/WLA and enters his/her Personal Identification Number (PIN).
- PIN is the numeric password which is separately mailed / handed over to the customer by the bank while issuing the card. Most banks require the customers to change the PIN on the first use.

Important Facts to remember related to Transactions & Charges

With effect from November 01, 2014, a bank must offer **to its savings bank account holders a minimum number of free transactions** at ATMs as under:

- Transactions at a bank's own ATMs at any location: minimum 5 free transactions in a month**
- Transactions at any other banks' ATMs at Metro locations:** In case of ATMs located in six metro locations, viz. Mumbai, New Delhi, Chennai, Kolkata, Bengaluru and Hyderabad, **3 minimum transactions in a month.**
- Transactions at any other banks' ATMs at Non-Metro locations: Minimum of 5 free transactions** in a month.

Note: Customers can be charged for transactions at ATMs over and above the mandated number of free transactions. The customer can be **charged a maximum of Rs. 20/- per transaction** (plus service tax, if any) by his/her bank.

The Case of a failed ATM transaction at other bank/white label ATMs, when his / her account is debited?

- Customers should lodge a complaint with the card issuing bank at the earliest.
- As per the RBI instructions, banks have been mandated to resolve customer complaints by re-crediting the customer's account within 7 working days from the date of complaint.
- Effective from July 1, 2011, banks have to pay compensation of Rs. 100/- per day for delays in re-crediting the amount beyond 7 working days from the date of receipt of complaint for failed ATM transactions.
- The customer can take recourse to the Banking Ombudsman, if the grievance is not redressed by his/her card issuing bank.

What are the Types of ATM

- On-Site ATMs: These are the ATMs which are operated/located inside the Bank premises.
- Offsite ATMs: These are the ATMs which are located outside the bank premises such as shopping malls, Residential Societies, etc.
- White Label ATM: These are the ATMs which are owned & Operated by Non-Banking Financial Company).
- Green Label ATM: These are the ATMs which are installed mainly for transactions related to Agriculture.
- Orange Label ATM: These are the ATMs which are installed mainly for Shares transactions.
- Yellow Label ATM: These are the ATMs which are installed mainly for e-Commerce transactions.
- Pink Label ATM: These are the ATMs which are installed mainly for women Banking.
- Brown Label ATM: These are those ATMs where the machine is not owned by the bank rather it has taken it on lease.

Exercise

1. What does 'ATM' stand for?
 - (a) Automatic Teller Machine
 - (b) Automated Teller Monitoring
 - (c) Automated Teller Machine
 - (d) Automated Teller Mechanism
 - (e) None of these
2. Time Limit for resolving customer's complaint by issuing Banks?
 - (a) Within 3 Working Days from the date of receipt of customer complaint
 - (b) Within 8 Working Days from the date of receipt of customer complaint
 - (c) Within 5 Working Days from the date of receipt of customer complaint
 - (d) Within 7 Working Days from the date of receipt of customer complaint
 - (e) None of these
3. In case failure to re-credit a customer's account within 5 calendar Days, how much compensation is paid to the customer?
 - (a) Rs 100 per day
 - (b) Rs 200 per day
 - (c) Rs 300 per day
 - (d) Rs 400 per day
 - (e) Rs 500 per day
4. Name First Bank to introduce an ATM?
 - (a) ICICI Bank
 - (b) Hongkong and Shanghai Banking Corporation (HSBC)
 - (c) State Bank of India
 - (d) Punjab National Bank
 - (e) None of these
5. Name First Bank to provide Mobile ATM?
 - (a) Central Bank of India
 - (b) State Bank of India
 - (c) Union Bank of India
 - (d) ICICI
 - (e) None of these
6. India's First Talking ATM launched by which Bank?
 - (a) Central Bank of India
 - (b) State Bank of India
 - (c) Union Bank of India
 - (d) Punjab National Bank
 - (e) None of these
7. Non-Bank owned ATMs are also called__.
 - (a) Green Label ATMs
 - (b) Red Label ATMs
 - (c) White Label ATMs
 - (d) Grey Label ATMs
 - (e) None of these
8. India's First Company to open White Label ATMs is?
 - (a) Tata Communications Payments Solutions Ltd
 - (b) Bajaj Finserv Ltd
 - (c) Capital First Ltd
 - (d) Reliance Capital
 - (e) Muthoot Finance
9. India's First Non-Bank owned ATM (White Label ATMs) opens in which State?
 - (a) Delhi
 - (b) Maharashtra (Thane)
 - (c) Uttar Pradesh (Noida)
 - (d) Gujrat (Surat)
 - (e) None of these
10. Which city gets the country's first Talking ATM?
 - (a) Ahmedabad, Gujarat
 - (b) Surat, Gujarat
 - (c) Gandhinagar, Gujarat
 - (d) Nashik, Maharashtra
 - (e) Thane Maharashtra
11. Which was the second bank to launch a Talking ATM in India?
 - (a) Axis Bank
 - (b) Central Bank of India
 - (c) Union Bank of India
 - (d) State Bank of India
 - (e) None of these
12. Non-bank ATM operators are authorized under which act by the Reserve Bank of India?
 - (a) Real-time gross settlement
 - (b) Payment & Settlement Systems Act, 2005
 - (c) Payment & Settlement Systems Act, 2007
 - (d) National Electronic Funds Transfer
 - (e) None of these

- | | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>13. What type of cards can be used at an ATM?
 (a) The ATM cards/debit cards
 (b) credit cards
 (c) prepaid cards(that permit cash withdrawal)
 (d) All of the above
 (e) None of the above</p> | <p>14. Number of free transactions permitted per month at other bank ATMs for Saving Bank Account holders is?
 (a) 5 Free Transactions per month
 (b) 3 Free Transactions per month
 (c) 4 Free Transactions per month
 (d) 6 Free Transactions per month
 (e) None of these</p> |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

Solutions

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| <p>1. (c): ATM stands for Automated Teller Machine</p> <p>2. (d): The time limit for resolution of customer complaints by the issuing banks shall within 7 working days from the date of receipt of customer complaint.</p> <p>3. (a): the card issuing bank has to pay compensation of Rs. 100/- per day for delay in re-crediting the customer's amount beyond 5 calendar days from the date of the failed ATM transaction</p> <p>4. (b): HSBC (Hongkong and Shanghai Banking Corporation) is the first bank to introduce ATM concept in India in the year 1987 in Mumbai.</p> <p>5. (d): ICICI is the first bank to provide mobile ATM.</p> <p>6. (c): Country's first automated teller machine (ATM) which can be operated independently by a visually impaired person, known as 'Talking ATM' at the premises of the Blind People's Association (BPA) in Ahmedabad by the Union Bank of India (UBI).</p> <p>7. (c): ATMs set up, owned and operated by non-banks are called White Label ATM's. Non-bank ATM operators are authorised under the Payment & Settlement Systems Act, 2007 by the Reserve Bank of India (RBI).</p> | <p>8. (a): Tata Communications Payment Solutions Limited (TCPSSL) is the first company authorized by RBI to open White Label ATMs in the country.</p> <p>9. (b): The first White Label ATM (owned by a non-bank entity) opened in Maharashtra</p> <p>10. (a): Country's first automated teller machine (ATM) which can be operated independently by a visually impaired person, known as 'Talking ATM' at the premises of the Blind People's Association (BPA) in Ahmedabad by the Union Bank of India (UBI).</p> <p>11. (d): State Bank of India was the second bank to launch the talking ATM</p> <p>12. (c): ATMs set up, owned and operated by non-banks are called white label ATMs and are authorized under the Payment and Settlement Systems Act, 2007,</p> <p>13. (d): The ATM / ATM cum debit cards, credit cards and prepaid cards, as permitted by the issuer, can be used at ATMs/WLAs for various transactions.</p> <p>14. (a): Banks should offer their savings bank account holders a minimum of five free financial transactions in a month, irrespective of the location of ATMs. Any number of non-cash withdrawal transactions will be provided free</p> |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|



What is Priority sector lending (PSL)?

- Priority sector are all those sectors that is very important for the economic development of the country.
- Priority sector lending (PSL) means providing institutional credit to these sectors and segments as it is difficult for these sectors to get credit.
- Priority Sector Lending is an important role given by the Reserve Bank of India (RBI) to the banks for providing a specified portion of the bank lending to few specific sectors.

What are the different categories/sectors under priority sector?

Priority Sector includes the following categories:

1. Agriculture
2. Micro, Small and Medium Enterprises
3. Export Credit
4. Education
5. Housing
6. Social Infrastructure
7. Renewable Energy
8. Others

Targets and Sub-targets for banks under priority sector?

Categories	Domestic Scheduled commercial banks (excluding RRBs & Small Finance Banks) and Foreign banks with 20 branches and above	Foreign banks with less than 20 branches
Total Priority Sector	40 percent of Adjusted Net Bank Credit or Credit Equivalent Amount of Off-Balance Sheet Exposure, whichever is higher.	40 percent of Adjusted Net Bank Credit or Credit Equivalent Amount of Off-Balance Sheet Exposure, whichever is higher, to be achieved in a phased manner by 2020.
Agriculture #	18 per cent of ANBC or Credit Equivalent Amount of Off-Balance Sheet Exposure, whichever is higher. Within the 18 percent target for agriculture, a target of 8 percent of ANBC or Credit Equivalent Amount of Off-Balance Sheet Exposure, whichever is higher, is prescribed for Small and Marginal Farmers.	Not applicable
Micro Enterprises	7.5 percent of ANBC or Credit Equivalent Amount of Off-Balance Sheet Exposure, whichever is higher.	Not applicable
Advances to Weaker Sections	10 percent of ANBC or Credit Equivalent Amount of Off-Balance Sheet Exposure, whichever is higher	Not applicable
# Domestic banks have been directed to ensure that their overall direct lending to non-corporate farmers does not fall below the system-wide average of the last three years achievement.		

Now, let's discuss about the Priority Sector Lending, its Targets and Classification (As on 18th April 2018)**Categories under 'Agriculture' are as follows:**

- The activities covered under Agriculture are classified under three sub-categories viz. Farm credit, Agriculture infrastructure and Ancillary activities.

Limits prescribed for loans sanctioned to Micro, Small and Medium Enterprises to be classified as priority sector

- For classification under priority sector, no limits are prescribed for bank loans sanctioned to **Micro, Small and Medium Enterprises engaged in the manufacture or production of goods under any industry specified** in the first schedule to the Industries (Development and Regulation) Act, 1951.
- Bank loans to **Micro, Small and Medium Enterprises engaged in providing or rendering of services and defined in terms of investment in equipment under MSMED Act, 2006, irrespective of loan limits, are eligible** for classification under priority sector, w.e.f. March 1, 2018.

Loan limit for education under priority sector

- Loans to individuals for educational purposes including vocational courses **upto ₹ 20 lakh irrespective of the sanctioned amount are eligible for classification under priority sector.**

Credit Limits for social infrastructure loans under priority sector

- **Bank loans up to a limit of ₹ 5 crore per borrower for building social infrastructure for activities** namely schools, health care facilities, drinking water facilities and sanitation facilities in Tier II to Tier VI centres are eligible for classification under priority sector.
- **Bank credit to Micro Finance Institutions (MFI) extended for on-lending to individuals/ members of SHGs/ JLGs for water and sanitation facilities** is also eligible for classification as priority sector loans under 'Social Infrastructure'.

Credit Limits for loans for renewable energy under priority sector

- Bank loans up to a **limit of ₹30 crore to borrowers for purposes like solar based power generators, biomass based power generators, wind mills, micro-hydel plants and for non-conventional energy based public utilities** viz. street lighting systems, and remote village electrification are eligible to be classified under priority sector loans under 'Renewable Energy'.
- For **individual households, the loan limit is ₹ 10 lakh per borrower.**

Limit for housing loans under priority sector

- Loans to individuals **up to ₹ 35 lakh in metropolitan centres (with population of ten lakh and above) and loans up to ₹ 25 lakh in other centres** for purchase/construction of a dwelling unit per family, are eligible provided the overall cost of the dwelling unit in the metropolitan centre and at other centres does not exceeds ₹ 45 lakh and ₹ 30 lakh, respectively.
- **Housing loans to banks' own employees are not eligible** for classification under priority sector.

Who all are included under Weaker Sections Category under priority sector

Priority sector loans to the following borrowers are eligible to be considered under Weaker Sections category:

- Small and Marginal Farmers
- Artisans, village and cottage industries where individual credit limits do not exceed ₹1 lakh
- Beneficiaries under Government Sponsored Schemes such as National Rural Livelihoods Mission (NRLM), National Urban Livelihood Mission (NULM) and Self Employment Scheme for Rehabilitation of Manual Scavengers (SRMS)
- Scheduled Castes and Scheduled Tribes
- Beneficiaries of Differential Rate of Interest (DRI) scheme
- Self Help Groups
- Distressed farmers indebted to non-institutional lenders
- Distressed persons other than farmers, with loan amount not exceeding ₹1 lakh per borrower to prepay their debt to non-institutional lenders
- Individual women beneficiaries up to ₹1 lakh per borrower (For UCBs, existing loans to women will continue to be classified under weaker sections till their maturity/repayment.)
- Persons with disabilities
- Overdrafts upto ₹5,000/- under Pradhan Mantri Jan-DhanYojana (PMJDY) accounts, provided the borrowers' household annual income does not exceed ₹100,000/- for rural areas and ₹1,60,000/- for non-rural areas

- Minority communities may be notified by the Government of India from time to time.
- Note:** Bank credit to MFIs (NBFC-MFIs, societies, trusts, etc) extended for on-lending to individuals and also to members of SHGs/JLGs is eligible for categorisation as priority sector advance under respective categories viz., Agriculture, Micro, Small and Medium Enterprises, Social Infrastructure and Others.

What are Priority Sector Lending Certificates (PSLCs)?

- Priority Sector Lending Certificates (PSLCs) are a mechanism to enable banks to achieve the priority sector lending target and sub-targets by purchase of these instruments in the event of shortfall.
- This also incentivizes surplus banks as it allows them to sell their excess achievement over targets thereby enhancing lending to the categories under priority sector.
- Under the PSLC mechanism, the seller sells fulfilment of priority sector obligation and the buyer buys the obligation with no transfer of risk or loan assets.

Rate of interest for loans under priority sector

- The rate of interest on bank loans will be as per directives issued by the Department of Banking Regulation of RBI, from time to time.
- Priority sector guidelines do not lay down any preferential rate of interest for priority sector loans.

Recent Updates on PSL by RBI?

- It has been decided that the sub-target of 8% of Adjusted Net Bank Credit (ANBC) or Credit Equivalent Amount of Off-Balance Sheet Exposure (CEOBE), whichever is higher, shall become applicable for the foreign banks with 20 branches and above, for lending to the small and marginal farmers from FY 2018-19.
- The sub-target of 7.50% of ANBC or CEOBE, whichever is higher, for bank lending to the Micro Enterprises shall also become applicable for the foreign banks with 20 branches and above from FY 2018-19.
- It has been decided to remove the currently applicable loan limits of ₹5 crore and ₹10 crore per borrower to Micro/ Small and Medium Enterprises (Services) respectively, for classification under priority sector.
- Accordingly, all bank loans to MSMEs, engaged in providing or rendering of services as defined in terms of investment in equipment under MSMED Act, 2006, shall qualify under priority sector without any credit cap.

Let's Discuss more points related to PSL Categories

Target for foreign banks with less than 20 branches in India

- Total Priority Sector target of 40 percent for foreign banks with less than 20 branches has to be achieved in a phased manner as under:

Financial Year	Total Priority Sector as% of ANBC or Credit Equivalent Amount of Off-Balance Sheet Exposure, whichever is higher
2017-18	36
2018-19	38
2019-20	40

- The additional priority sector lending target of 2 percent of ANBC each year from 2016-17 to 2019-20 has to be achieved by lending to sectors other than exports.

Computation of Adjusted Net Bank Credit (ANBC) Bank Credit in India	I
Bills Rediscounted with RBI & other approved FIs	II
Net Bank Credit (NBC)*	III (I-II)
Bonds/debentures in Non-SLR categories under HTM category+ other investments eligible to be treated as priority sector +Outstanding Deposits under RIDF & other eligible funds with NABARD, NHB and SIDBI on account of priority sector shortfall + outstanding PSLCs	IV
Eligible amount for exemptions on issuance of long-term bonds for infrastructure and affordable housing	V
Eligible advances extended in India against the incremental FCNR (B)/NRE deposits, qualifying for exemption from CRR/SLR requirements.	VI
ANBC	III+IV-V-VI

Agriculture

- Farmers with land holding of up to 1 hectare are considered as Marginal Farmers.
- Farmers with a landholding of more than 1 hectare and upto 2 hectares are considered as Small Farmers.

Micro, Small and Medium Enterprises (MSMEs)

- The limits for investment in plant and machinery/equipment for manufacturing / service enterprise, as notified by Ministry of Micro, Small and Medium Enterprises, dated September 9, 2006 are as under:

Manufacturing Sector	
Enterprises	Investment in plant and machinery
Micro Enterprises	Does not exceed 25 lakh rupees
Small Enterprises	More than 25 lakh rupees but does not exceed 5 crore rupees
Medium Enterprises	More than 5 crore rupees but does not exceed 10 crore rupees
Service Sector	
Enterprises	Investment in equipment
Micro Enterprises	Does not exceed 10 rupees
Small Enterprises	More than 10 rupees but does not exceed 2 crore rupees
Medium Enterprises	More than 2 crore rupees but does not exceed 5 crore rupees

Note: All loans to units in the KVI sector will be eligible for classification under the sub-target of 7 percent /7.5 percent prescribed for Micro Enterprises under priority sector.

Export Credit

- The Export Credit extended as per the details below would be classified as a priority sector.

Domestic banks / WoS of Foreign banks/ SFBs/ UCBs	Foreign banks with 20 branches and above	Foreign banks with less than 20 branches
Incremental export credit over corresponding date of the preceding year, up to 2 per cent of ANBC or CEOBE whichever is higher, subject to a sanctioned limit of up to ₹ 40 crore per borrower.	• Incremental export credit over corresponding date of the preceding year, up to 2 % of ANBC or CEOBE, whichever is higher, effective from April 1, 2017.	• Export credit will be allowed up to 32 percent of ANBC or CEOBE, whichever is higher.

Housing

- Loans for repairs to damaged dwelling units of families up to ₹10 lakh in metropolitan centres and up to ₹6 lakh in other centres.
- Bank loans to any governmental agency for construction of dwelling units or for slum clearance and rehabilitation of slum dwellers subject to dwelling units with carpet area of not more than 60 sq.m.
- Bank loans to HFCs (approved by NHB for their refinance) for on-lending, up to ₹20 lakh for individual borrowers, for purchase/construction/ reconstruction of individual dwelling units or for slum clearance and rehabilitation of slum dwellers

Others

- Loans not exceeding ₹1.00 lakh per borrower provided directly by banks to individuals and individual members of SHG/JLG, provided the individual borrower's household annual income in rural areas does not exceed ₹1.00 lakh and for non-rural areas it does not exceed ₹1.60 lakh, and loans not exceeding ₹2.00 lakh provided directly by banks to SHG/JLG for activities other than agriculture or MSME, viz., loans for meeting social needs, construction or repair of house, construction of toilets or any viable common activity started by the SHGs.
- Loans to distressed persons not exceeding ₹100,000/- per borrower to prepay their debt to non-institutional lenders.
- Loans sanctioned to State Sponsored Organisations for Scheduled Castes/ Scheduled Tribes for the specific purpose of purchase and supply of inputs and/or the marketing of the outputs of the beneficiaries of these organisations.

Other Important Points related to PSL**Monitoring of Priority Sector Lending targets**

- To ensure continuous flow of credit to priority sector, there will be more frequent monitoring of priority sector lending compliance of banks on 'quarterly' basis instead of annual basis as of now.
- The data on priority sector advances have to be furnished by banks at quarterly and annual intervals as per revised reporting formats.
- Non-achievement of Priority Sector targets
- Scheduled Commercial Banks having any shortfall in lending to priority sector shall be allocated amounts for contribution to the Rural Infrastructure Development Fund (RIDF) established with NABARD and other Funds with NABARD/NHB/SIDBI, as decided by the Reserve Bank from time to time.
- The interest rates on banks' contribution to RIDF or any other Funds, tenure of deposits, etc. shall be fixed by RBI.

What is On-lending?

- Loans sanctioned by banks to eligible intermediaries for onward lending only for creation of priority sector assets.

Exercise

- Priority Sector Lending is an important role given by the_____ to the banks for providing a specified portion of the bank lending to a few specific sectors?
 - Government of India
 - Reserve Bank of India
 - Finance ministry of India
 - IMF
 - None of these
- Which means a group of activities which are to be financed on priority is called?
 - Special sector
 - Private sector
 - Public sector
 - Priority sector
 - None of these
- Bank loans up to a limit of _____ per borrower for building social infrastructure under priority sector.
 - 10 Cr.
 - 7 Cr.
 - 5 Cr.
 - 15 Cr.
 - 25 Cr.
- The concept of priority sector was formalized in 1972 by
 - Study group constituted in May 1972
 - Study group constituted in May 1971
 - Study group constituted in May 1970
 - Study group constituted in May 1955
 - Study group constituted in May 1969
- As per the guidelines of the Reserve Bank of India, the total interest charged/debited to an account should not exceed the principal amount in respect of short-term agriculture advances granted to_____.
 - Small and marginal farmers
 - Small and marginal Shopkeepers
 - Small and marginal Fishers
 - The MSMEs
 - None of these
- Allowing the party to overdraw his account is called as
 - Credit
 - Underdraft
 - Overdue
 - overdraft
 - None of these
- Total repayment period including holiday period should not exceed five years from the date of completion of course under which loan scheme?
 - Health loan scheme
 - Farmers loan scheme
 - Business loan scheme
 - education loan scheme
 - None of these
- For foreign banks, operating in India, overall target for priority sector lending is____
 - 31%
 - 33%
 - 40%
 - 30%
 - 25%
- Consumption loan above under priority sector can be granted to
 - Rural artisans
 - Small/Marginal farmers
 - Landless labourers
 - All of the above
 - None of these
- Which of the following organizations prepares rural credit plans on an annual basis for all districts in India, which in turn form the base for annual credit plans of all rural financial institutions?
 - RBI
 - NABARD
 - SBI
 - Government of India
 - None of these
- The approach of 'micro-credit' or 'banking with the poor' is comparatively a new concept in the field of rural credit. This approach has been tried very successfully in which of the following countries?
 - Bangladesh
 - India
 - Pakistan
 - China
 - USA

12. Bank loans up to a limit of ___ to borrowers for purposes like solar based power generators under priority sector.
 (a) 14 Cr. (b) 12 Cr.
 (c) 15 Cr. (d) 20 Cr.
 (e) 30 Cr.
13. Bank loans up to ___ per unit to Micro and Small Enterprises under priority sector.
 (a) 1 Cr. (b) 4 Cr.
 (c) 3 Cr. (d) 5 Cr.
 (e) 2 Cr.
14. Bank loans up to ___ per unit to Medium Enterprises under priority sector.
 (a) 20 Cr. (b) 10 Cr.
 (c) 30 Cr. (d) 50 Cr.
 (e) 15 Cr.
15. Loans up to _____ in other centres for purchase/construction of a dwelling unit per family under priority sector.
 (a) 25 Lakh (b) 10 Lakh
 (c) 50 Lakh (d) 60 Lakh
 (e) 15 Lakh
16. For individual households, the loan limit is for renewable energy under priority sector _____ per borrower.
 (a) 50 Lakh (b) 20 Lakh
 (c) 10 Lakh (d) 15 Lakh
 (e) 12 Lakh
17. Loans to individuals up to _____ in metropolitan centres (with the population of ten lakh and above) under priority sector.
 (a) 25 Lakh (b) 20 Lakh
 (c) 30 Lakh (d) 35 Lakh
 (e) 37 Lakh
18. Loans to individuals for educational purposes including vocational courses up to _____ irrespective of the sanctioned amount are eligible for classification under priority sector.
 (a) 20 Lakh (b) 10 Lakh
 (c) 15 Lakh (d) 25 Lakh
 (e) 30 Lakh
19. Loans sanctioned by banks to eligible intermediaries for onward lending only for creation of priority sector assets is called?
 (a) Schedule-lending (b) Up-lending
 (c) On-lending (d) Non-lending
 (e) None of these
20. The interest rates on banks' contribution to RIDF or any other Funds, tenure of deposits, etc. shall be fixed by_____
 (a) SBI (b) RBI
 (c) RRBs (d) NABARD
 (e) None of these
21. A mechanism to enable banks to achieve the priority sector lending target and sub-targets by purchase of the instruments in the event of shortfall is called as?
 (a) Private Sector Lending Certificates (PSLCs)
 (b) Priority Sector Lending Certificates (PSLCs)
 (c) Public Sector Lending Certificates (PSLCs)
 (d) Priority Service Lending Certificates (PSLCs)
 (e) Priority Sector Lending Committees (PSLCs)

Solutions

1. **(b):** Priority Sector Lending is an important role given by the (RBI) to the banks for providing a specified portion of the bank lending to few specific sectors
2. **(d):** Priority Sector means those sectors which the Government of India and Reserve Bank of India consider as important for the development of the basic needs of the country and are to be given priority over other sectors.
3. **(c):** Bank loans up to a limit of Rs 5 crore per borrower for building social infrastructure activities namely schools, health care facilities, drinking water facilities and sanitation facilities (including loans for construction/ refurbishment of toilets and improvement in water facilities in the household)
4. **(b):** The description of the priority sectors was formalised in 1972 on the basis of the report submitted by the Informal Study Group on Statistics relating to advances to the Priority Sectors constituted by the Reserve Bank in May 1971.
5. **(a):**
6. **(d):** An overdraft occurs when money is withdrawn from a bank account and the available balance goes below zero. In this situation the account is said to be "overdrawn"
7. **(d):** Education Loan Scheme:
 Repayment holiday/Moratorium: Course period + 1 year or 6 months after getting a job, whichever is earlier.
 The loan is to be repaid in 5-7 years, after commencement of repayment.
8. **(c):** For the year 2019-20 the target for priority sector lending is 40%

- 9. (d):** At present, the priority sector broadly comprises the following :
- Agriculture
 - Small Scale Industries
 - Other activities / borrowers (such as small business, retail trade, small transport operators, professional and self employed persons, housing, education loans, microcredit etc.)
- 10. (b):** National Bank for Agriculture and Rural Development is an Apex Development Financial Institution in India. The Bank has been entrusted with "matters concerning Policy Planning and Operations in the field of credit for Agriculture and other Economic activities in Rural areas in India"
- 11. (a):** The approach of 'Micro-Credit' or 'Banking with the poor' is comparatively a new concept in the field of rural credit is very successful in Bangladesh.
- 12. (c):** Bank loans up to a limit of ₹30 crore to borrowers for purposes like solar based power generators, biomass-based power generators
- 13. (d):** bank loans up to Rs. 5 crore per borrower / unit to Micro and Small Enterprises engaged in providing or rendering of services and defined in terms of investment in equipment under MSMED Act, 2006 are eligible to be reckoned for priority sector advances.
- 14. (b):** Bank loans up to Rs. 10 crore per unit to Medium Enterprises under priority sector
- 15. (a):** Loans to individuals up to ₹3.5 million in metropolitan centres (with population of ten lakh and above) and loans up to ₹ 2.5 million in other centres for purchase/construction of a dwelling unit per family, are eligible to be considered as priority sector
- 16. (c):** Bank loans up to a limit of ₹30 crore to borrowers for purposes like solar based power generators, biomass-based power generators, wind mills, micro-hydel plants and for non-conventional energy based public utilities, viz., street lighting systems and remote village electrification etc., will be eligible for Priority Sector classification. For individual households, the loan limit will be ₹10 lakh per borrower.
- 17. (d):** Loans up to Rs. 35 lakh in metropolitan cities where population is above 10 lakh and Rs. 25 Lakh at other centers for construction/purchase of a dwelling unit per family provided total cost of the unit in metropolitan centres and at other centres does not exceed Rs. 45 Lacs and Rs 30 lakh respectively.
- 18. (a):** Loans to individuals for educational purposes, including vocational courses, not exceeding ₹ 20 lakh will be considered as eligible for priority sector classification
- 19. (c):** On-lending means loans sanctioned by banks to eligible intermediaries for onward lending only for creation of priority sector assets.
- 20. (b):** Priority Sector Lending is an important role given by the (RBI) to the banks for providing a specified portion of the bank lending to few specific sectors like agriculture and allied activities, micro and small enterprises, poor people for housing, students for education
- 21. (b):** Priority Sector Lending Certificates (PSLCs) are tradable certificates issued against priority sector loans of banks so as to enable banks to achieve their specified target and sub-targets for priority sector lending





निक्षेप बीमा और प्रत्यय गारंटी निगम

DEPOSIT INSURANCE AND CREDIT GUARANTEE CORPORATION

(भारतीय रिज़र्व बैंक के संपूर्ण स्वामित्व वाली सहयोगी) Wholly owned subsidiary of the Reserve Bank of India

How does the route to DICGC begin? A Brief History

- The Deposit Insurance Corporation (DIC) Bill was introduced in the Parliament on August 21, 1961. It got the assent of the President on December 7, 1961 and the Deposit Insurance Act, 1961 came into force on January 1, 1962.
- Initially, the Deposit Insurance Scheme extended to functioning commercial banks only. This included the SBI and its subsidiaries, other commercial banks and the branches of the foreign banks operating in India.
- Since 1968, with the enactment of the Deposit Insurance Corporation (Amendment) Act, 1968, the Corporation was required to register the 'eligible co-operative banks' as insured banks under the provisions of Section 13 A of the Act.
- The Government of India, in consultation with **RBI, introduced a Credit Guarantee Scheme in July 1960.**
- RBI promoted a public limited company on January 14, 1971, named the **Credit Guarantee Corporation of India Ltd. (CGCI)**. It was aimed at encouraging the commercial banks to cater to the credit needs of the hitherto neglected sectors.
- With a view to integrating the functions of deposit insurance and credit guarantee, the **above two organizations (DIC & CGCI) were merged and the present Deposit Insurance and Credit Guarantee Corporation (DICGC) came into existence on July 15, 1978.** Also, the title of Deposit Insurance Act, 1961 was changed to '**The Deposit Insurance and Credit Guarantee Corporation Act, 1961**'.

MISSION of Dicgc

- To contribute to financial stability by securing public confidence in the banking system through provision of deposit insurance, particularly for the benefit of the small depositors.

VISION of DICGC

- To be recognised as one of the most efficient and effective deposit insurance providers, responsive to the needs of its stakeholders.

Key Points to look at...

- The functions of the DICGC are governed by the provisions of 'The Deposit Insurance and Credit Guarantee Corporation Act, 1961' (DICGC Act).
- The authorized capital of the Corporation is 50 crores, which is fully issued and subscribed by the Reserve Bank of India (RBI).
- The Head Office of the Corporation is in Mumbai.
- The Current Chairman of DICGC is Dr. M.D. Patra, who is currently one of the Deputy Governors of RBI. He was nominated by RBI under Section 6(1)(a) of The Deposit Insurance and Credit Guarantee Corporation Act, 1961.

Banks covered under DICGC?

- All commercial banks including the branches of foreign banks functioning in India, Local Area Banks and Regional Rural Banks.
- Co-operative Banks - All eligible co-operative banks as defined in Section 2(gg) of the DICGC Act are covered by the Deposit Insurance Scheme.
- At present all Co-operative banks are covered by the Scheme.

Insurance Coverage under DICGC

- Under the provisions of Section 16(1) of the DICGC Act, the insurance cover is given.
- Each depositor in a bank is insured upto a maximum of 5,00,000 (Rupees One Lakh) for both principal and interest amount held by him in the same right and same capacity as on the date of liquidation/cancellation of bank's licence or the date on which the scheme of amalgamation/merger/reconstruction comes into force.

Types of Deposits covered under DICGC

- DICGC insures all bank deposits, such as saving, fixed, current, recurring, etc. except the given following types of deposits.
- Deposits of foreign Governments;
- Deposits of Central/State Governments;
- Inter-bank deposits
- Deposits of the State Land Development Banks with the State co-operative banks;
- Any amount due on account of and deposit received outside India
- Any amount which has been specifically exempted by the corporation with the previous approval of the RBI.

Notes:

- If you have deposits with more than one bank, deposit insurance coverage limit is applied separately to the deposits in each bank.
- Deposit insurance premium is borne entirely by the insured bank.
- The deposit insurance scheme is compulsory and no bank can withdraw from it.
- Premium charged is 10 paise per 100 assessable deposits. The Formula to calculate this is:
- Premium = Deposits in rupees rounded to thousands $\times 0.10 / 100$

When is the DICGC liable to pay?

- If a bank goes into liquidation: Amount of his deposit upto Rupees one lakh within two months from the date of receipt of claim list from the liquidator.
- If a bank is reconstructed or amalgamated/merged with another bank.



Exercise

- DICGC stands for _____.
 - Deposit Internal and Credit Guarantee Corporation
 - Deposit Insurance and Credit Guarantee Corporation
 - Deposit Insurance and Consumer Guarantee Corporation
 - Depositary Insurance and Credit Guarantee Corporation
 - None of these
- In which year DICGC was established?
 - 1975
 - 1972
 - 1971
 - 1978
 - 1976
- DICGC was under _____ Act, for the purpose of providing insurance of deposits and guaranteeing of credit facilities.
 - The Deposit Insurance and Consumer Guarantee Corporation Act, 1961
 - The Deposit Internal and Credit Guarantee Corporation Act, 1961
 - The Deposit Insurance and Credit Guarantee Corporation Act, 1961
 - The Depositary Insurance and Credit Guarantee Corporation Act, 1961
 - The Deposit Insurance and Credit Guarantee Corporation Act, 1965
- Which two organizations were merged to form DICGC?
 - DI & GCI
 - DIC & CGCI
 - DC & ICGCI
 - DC & CGC
 - None of these
- DICGC is a subsidiary of _____.
 - RBI
 - NABARD
 - SIDBI
 - SBI
 - GOI
- Where is the Headquarter of DICGC located?
 - Chennai
 - Pune
 - Kolkata
 - Mumbai
 - Delhi
- What is the authorized capital of DICGC?
 - Rs. 20 crores
 - Rs. 10 crores
 - Rs. 50 crores
 - Rs. 30 crores
 - Rs. 40 crores
- What is the maximum deposit amount insured by the DICGC?
 - Rs 1,50,000
 - Rs 1,00,000
 - Rs 50,000
 - Rs 2,00,000
 - Rs 5,00,000
- What is Reserve Bank of India(RBI)'s stake in DICGC?
 - 50%
 - 100%
 - 76%
 - 70%
 - 51%

Solutions

- (b):** DICGC stands for Deposit Insurance and Credit Guarantee Corporation
- (d):** Deposit Insurance and Credit Guarantee Corporation was established on 15 July 1978
- (c):** Deposit Insurance and Credit Guarantee Corporation is a wholly owned subsidiary of Reserve Bank of India. It was established on 15 July 1978 under the Deposit Insurance and Credit Guarantee Corporation Act, 1961
- (b):** With a view to integrating the functions of deposit insurance and credit guarantee, the above two organizations (DIC & CGCI) were merged and the present Deposit Insurance and Credit Guarantee Corporation (DICGC) came into existence on July 15, 1978.
- (a):** Deposit Insurance and Credit Guarantee Corporation is a wholly owned subsidiary of Reserve Bank of India.
- (d):** The headquarter is situated in Mumbai
- (c):** The authorized capital of the Corporation is 50 crore, which is fully issued and subscribed by the Reserve Bank of India (RBI)
- (b):** Each depositor in a bank is insured upto a maximum of 5,00,000 (Rupees Five Lakhs) for both principal and interest amount held by him in the same right and same capacity as on the date of liquidation/cancellation of bank's licence or the date on which the scheme of amalgamation/merger/reconstruction comes into force.
- (b):** DICGC is a wholly-owned subsidiary of the Reserve Bank of India (RBI)



Financial inclusion involves

- Give formal banking services to poor people in urban & rural areas.
- Promote habits of money-savings, insurance, pension-investment among poor-people.
- Help them get loans at reasonable rates from normal banks. So, they don't become victims in the hands of local moneylenders.

Some Important initiatives for Financial Inclusion

- Lead banking scheme (LBS).
- No frills account.
- BSBDA
- Business Correspondents (BC) system.
- Swabhiman Campaign
- PMJDY

Lead Bank Scheme

- Lead Bank Scheme, introduced towards the end of 1969, envisages assignment of lead roles to individual banks (both in public sector & private sector) for the districts allotted to them.
- A bank having a relatively large network of branches in the rural areas of a given district & endowed with adequate financial & manpower resources has generally been entrusted with the lead responsibility for that district. Accordingly, all the districts in the country have been allotted to various banks.
- The lead bank acts as a leader for coordinating the efforts of all credit institutions in the allotted districts.

No Frill Account

- 'No Frills 'account is a basic banking account. Such an account requires either nil minimum balance or very low minimum balance. Charges applicable to such accounts are low.
- The RBI in 2005-06 called upon Indian banks to design a 'no frills account' – a no precondition, low 'minimum balance maintenance' account with simplified KYC (Know Your Customer) norms.
- But all the existing 'No-frills' accounts opened were converted into BSBDA in compliance with the guidelines issued by RBI in 2012.

What is BSBDA (Basic Savings and Bank Deposit A/c)?

In 2012, RBI introduced BSBDA. Some important points are:

- This account shall not have the requirement of any minimum balance.
- The services available in the account will include: deposit & withdrawal of cash at bank branches as well as ATMs; receipt/credit of money through electronic payment channels or by means of deposit/collection of cheques drawn by Central/State Govt. agencies & departments;
- While there will be no limit on the number of deposits that can be made in a month, account holders will be allowed a maximum of four withdrawals in a month, including ATM withdrawals.
- Facility of ATM card or ATM-cum-Debit Card.

Business Correspondent

- BCs are bank representatives. They personally go to areas allotted to them & carry out banking. They help villagers to open bank accounts, in banking transactions etc.
- Business Correspondents get commission from the bank for every new account opened, every transaction made via them, every loan-application processed etc.

Current Status of the Pradhan Mantri Jan - Dhan Yojana as on 29/07/2020

Bank Type (In Crore)	Number of Beneficiaries at rural/semi-urban centre bank branches	Number of Beneficiaries at urban metro centre bank branches	No of Rural-Urban Female Beneficiaries	Number of Total Beneficiaries	Deposits in Accounts (In Crore)	Number of Rupay Debit Cards issued to beneficiaries
Public Sector Banks	18.69	13.15	17.41	31.84	100419.19	25.34
Regional Rural Banks	6.14	0.90	4.06	7.03	25377.57	3.15
Private Sector Banks	0.69	0.57	0.68	1.26	3960.19	1.15
Grand Total	25.52	14.62	22.14	40.14	129756.95	29.64

Pradhan Mantri Jan Dhan Yojana (PMJDY)

- Hon'ble Prime Minister announced Pradhan Mantri Jan Dhan Yojana as the National Mission on Financial Inclusion in his Independence Day address on 15th August 2014, to ensure comprehensive financial inclusion of all the households in the country by providing universal access to banking facilities with at least one basic bank account to every household, financial literacy, access to credit, insurance and pension facility.
- Under this, a person not having a savings account can open an account without the requirement of any minimum balance and, in case they self-certify that they do not have any of the officially valid documents required for opening a savings account, they may open a small account.
- Further, to expand the reach of banking services, all of over 6 lakh villages in the country were mapped into 1.59 lakh Sub Service Areas (SSAs), with each SSA typically comprising of 1,000 to 1,500 households, and in the 1.26 lakh SSAs that did not have a bank branch, Bank Mitras were deployed for branchless banking.
- Thus, PMJDY offers unbanked persons easy access to banking services and awareness about financial products through financial literacy programmes. In addition, they receive a RuPay debit card, with inbuilt accident insurance cover of Rs. 1 lakh, and access to overdraft facility upon satisfactory operation of account or credit history of six months.
- Further, through Prime Minister's Social Security Schemes, launched by the Hon'ble Prime Minister on 9th May 2015, all eligible account holders can access through their bank accounts personal accident insurance cover under Pradhan Mantri Suraksha Bima Yojana, life insurance cover under Pradhan Mantri Jeevan Jyoti Bima Yojana, and guaranteed minimum pension to subscribers under Atal Pension Yojana.
- PMJDY was conceived as a bold, innovative and ambitious mission. Census 2011 estimated that out of 24.67 crore households in the country, 14.48 crore (58.7%) had access to banking services. In the first phase of the scheme, these households were targeted for inclusion through opening of a bank account within a year of launch of the scheme.
- The actual achievement, by 26th January 2015, was 12.55 crore. as on 26.12. 2018,, the number of accounts has grown to 33.66 crore. Further, in 2011, only 0.33 lakh SSAs had banking facilities and through provision of Bank Mitras in 1.26 lakh branchless SSAs, banking services were extended throughout rural India. Out of total savings accounts, there were overall 27% female accounts in March 2014. However, under PMJDY, women accounts constitute 53% of the total Jan Dhan accounts as on 30.3.2019.
- The deposit base of PMJDY accounts has expanded over time. As on 30.3.2019, the deposit balance in PMJDY accounts was Rs 96,107 crore. The average deposit per account has more than doubled from Rs. 1,064 in March 2015 to Rs. 2,725 as on 30.3.2019.

From Jan Dhan to Jan Suraksha-

For creating a universal social security system for all Indians, especially the poor and the under-privileged, the Hon'ble Prime Minister launched three Social Security Schemes in the Insurance and Pension sectors on 9th of May 2015.

Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY)

- The PMJJBY is available to people in the age group of 18 to 50 years having a bank account who give their consent to join /enable auto-debit. Aadhar is the primary KYC for the bank account. The life cover of Rs. 2 lakh is for the one year period stretching from 1st June to 31st May and is renewable. Risk coverage under this scheme is for Rs. 2 lakh in case of death of the insured, due to any reason.

- The premium is Rs. 330 per annum which is to be auto-debited in one installment from the subscriber's bank account as per the option given by him on or before 31st May of each annual coverage period under the scheme.
- The scheme is being offered by the Life Insurance Corporation and all other life insurers who are willing to offer the product on similar terms with necessary approvals and tie up with banks for this purpose.
- As on 31st March, 2017, cumulative gross enrollment reported by banks subject to verification of eligibility, etc. is over 3.10 crore under PMJJBY. A total of 62166 claims were registered under PMJJBY of which 59118 have been disbursed.

Pradhan Mantri Suraksha Bima Yojana (PMSBY)

- The Scheme is available to people in the age group 18 to 70 years with a bank account who give their consent to join/enable auto-debit on or before 31st May for the coverage period 1st June to 31st May on an annual renewal basis. Aadhar would be the primary KYC for the bank account.
- The risk coverage under the scheme is Rs. 2 lakh for accidental death and full disability and Rs. 1 lakh for partial disability.
- The premium of Rs.12 per annum is to be deducted from the account holder's bank account through 'auto-debit' facility in one installment.
- The scheme is being offered by Public Sector General Insurance Companies or any other General Insurance Company who are willing to offer the product on similar terms with necessary approvals and tie up with banks for this purpose.
- As on 31st March, 2017, cumulative gross enrolment reported by Banks subject to verification of eligibility, etc. is over 9.94 crore under PMSBY.
- A total of 12,534 Claims were registered under PMSBY of which 9,403 have been disbursed.

Atal Pension Yojana (APY)

- APY was launched on 9th May, 2015 by the Prime Minister. APY is open to all savings bank/post office saving bank account holders in the age group of 18 to 40 years and the contributions differ, based on the pension amount chosen.
- Subscribers would receive the guaranteed minimum monthly pension of Rs. 1,000 or Rs. 2,000 or Rs. 3,000 or Rs. 4,000 or Rs. 5,000 at the age of 60 years.
- Under APY, the monthly pension would be available to the subscriber, and after him to his spouse and after their death, the pension corpus, as accumulated at age 60 of the subscriber, would be returned to the nominee of the subscriber.
- The minimum pension would be guaranteed by the Government, i.e., if the accumulated corpus based on contributions earns a lower than estimated return on investment and is inadequate to provide the minimum guaranteed pension, the Central Government would fund such inadequacy.
- Alternatively, if the returns on investment are higher, the subscribers would get enhanced pensionary benefits.
- In the event of premature death of the subscriber, Government has decided to give an option to the spouse of the subscriber to continue contributing to the APY account of the subscriber, for the remaining vesting period, till the original subscriber would have attained the age of 60 years.
- The spouse of the subscriber shall be entitled to receive the same pension amount as that of the subscriber until the death of the spouse.
- After the death of both the subscriber and the spouse, the nominee of the subscriber shall be entitled to receive the pension wealth, as accumulated till age 60 of the subscriber. As on 31st March, 2017, a total of 48.54 lakh subscribers have been enrolled under APY with a total pension wealth of Rs. 1,756.48 crore.

Exercise

1. The cheap credits through appropriately designed loans for poor and low-income households and small entrepreneurs called?
 - (a) savings inclusion (b) financial inclusion
 - (c) current inclusion (d) finance inclusion
 - (e) none of these
2. RBI has introduced the Lead Bank in which year?
 - (a) 1970 (b) 1968
 - (c) 1985 (d) 1969
 - (e) 1955
3. Which among the following made the initial contribution for setting up Financial Inclusion Fund and Financial Inclusion Technology Fund?
 - (a) Government of India (b) NABARD
 - (c) RBI (d) All of the above
 - (e) None of the above
4. Which one of the following is known as a Savings Bank Account opened with a commercial bank with zero balance or very minimal balance?
 - (a) No Balance Account (b) No frill Account
 - (c) No finance account (d) No cash Account
 - (e) No money Account
5. Full form of BSBDA?
 - (a) Basic Saving Bank Deposit Account
 - (b) Banking Saving Bank Deposit Account
 - (c) Basic Saving Board Deposit Account
 - (d) Bank Saving Bank Deposit Account
 - (e) None of these
6. Total Credits that should not exceed in BSBDA?
 - (a) 2,50,000 Rs (in a year)
 - (b) 2,00,000 Rs (in a year)
 - (c) 5,00,000 Rs (in a year)
 - (d) 1,00,000 Rs (in a year)
 - (e) 1,50,000 Rs (in a year)
7. Maximum balance should not exceed in Account?
 - (a) 20,000 Rs (at any time)
 - (b) 40,000 Rs (at any time)
 - (c) 50,000 Rs (at any time)
 - (d) 25,000 Rs (at any time)
 - (e) None of these
8. Validity of Basic Saving Bank Deposit Account?
 - (a) 6 months
 - (b) 12 months (later extended by another 12 months after providing proof of Officially Valid Document by a person)
 - (c) 18 months
 - (d) 24 months
 - (e) None of these
9. Is there a requirement of any initial minimum deposit while opening a BSBDA?
 - (a) There is Rs. 2000 minimum amount required to deposit
 - (b) There is no requirement for any initial deposit for opening a BSBDA.
 - (c) There is Rs. 5000 minimum amount required to deposit
 - (d) There is Rs. 3000 minimum amount required to deposit
 - (e) None of these
10. If a customer has any other existing savings bank deposit account in that bank, he/she will be required to close it within___
 - (a) 30 days from the date of opening a 'Basic Savings Bank Deposit Account'.
 - (b) 60 days from the date of opening a 'Basic Savings Bank Deposit Account'.
 - (c) 45 days from the date of opening a 'Basic Savings Bank Deposit Account'.
 - (d) 7 days from the date of opening a 'Basic Savings Bank Deposit Account'.
 - (e) 10 days from the date of opening a 'Basic Savings Bank Deposit Account'.
11. Previously BSBDA was known as?
 - (a) Current accounts (b) Savings accounts
 - (c) No Frill Accounts (d) Demat account
 - (e) None of these
12. Are the banks free to levy annual ATM debit card charges?
 - (a) Bank can charge 200
 - (b) Bank can levy a minimum charge
 - (c) Bank can decide by itself
 - (d) Banks should offer the ATM debit cards free of charge and no annual fee should be levied on such cards.
 - (e) None of these
13. PMJDY stands for ___?
 - (a) Prime minister Jan Dhan Yojana
 - (b) Pradhan Mantri Jan Dhan Yojana
 - (c) Pradhan Mantri Janarogaya Yojana
 - (d) Pradhan Mantri Jan Dhaanaa Yojana
 - (e) None of these
14. Pradhan Mantri Jan Dhan Yojana (PMJDY) campaign was launched by the Prime Minister of India on
 - (a) 28 August 2014 (b) 30 August 2014
 - (c) 28 August 2015 (d) 28 August 2016
 - (e) 28 June 2014

15. Pradhan Mantri Jan Dhan Yojna is primarily aimed at _____
 (a) Capital inclusion (b) Money inclusion
 (c) Financial inclusion (d) Financial intrusion
 (e) None of these
16. What is the tagline of Pradhan Mantri Jan Dhan Yojna (PMJDY)?
 (a) Mera Khata Meri pehchan
 (b) Sabka Saath, Sabka Vikas
 (c) Me aur mera khata
 (d) Mera Khata, Bhagya Vidhata
 (e) None of these
17. RuPay debit card is introduced by _____
 (a) Cashfree payment gateway
 (b) National Payments Corporation of India
 (c) PayUbiz Payment Gateway Service
 (d) Department of Electronics and Information Technology
 (e) None of these
18. Pradhan Mantri Jan Dhan Yojna (PMJDY) has a different target unit as compared to earlier Financial Inclusion plan 'Swabhimaan'. What was the target unit of 'Swabhimaan'?
 (a) Coverage of cantonment
 (b) Coverage of urban areas
 (c) Coverage of villages
 (d) Coverage of suburban areas
 (e) None of these
19. What does the acronym 'PMSBY' mean?
 (a) Prime Minister Suraksha Bima Yojana
 (b) Pradhan Mantri Suraksha Bima Yojana
 (c) Pradhan Mantri Sima Bima Yojana
 (d) Pradhan Mantri Samridhi Bima Yojana
 (e) None of these
20. What is the minimum and maximum age at which people can enroll in Pradhan Mantri Jeevan Jyoti Bima Yojana?
 (a) Minimum Age – 15 years ; Maximum Age – 50 years
 (b) Minimum Age – 18 years ; Maximum Age – 50 years
 (c) Minimum Age – 16 years ; Maximum Age – 50 years
 (d) Minimum Age – 18 years ; Maximum Age – 60 years
 (e) Minimum Age – 20 years ; Maximum Age – 70 years
21. What is the premium per annum that is to be paid under PMJJBY?
 (a) Rs 130/- (b) Rs 230/-
 (c) Rs 330/- (d) Rs 500/-
 (e) Rs 300/-
22. What is the death benefit under PMJJBY?
 (a) Rs 2,50,000 (b) Rs 3,00,000
 (c) Rs 1,00,000 (d) Rs 2,00,000
 (e) Rs 3,00,000
23. A person having which type of account can opt for PMJJBY?
 (a) Demat Account (b) Current Account
 (c) Saving Account (d) Recurring Deposit Account.
 (e) Fixed Deposit Account.
24. What is the age group to whom the Pradhan Mantri Suraksha Bima Yojana is available?
 (a) 18 to 70 years (b) 15 to 70 years
 (c) 18 to 60 years (d) 18 to 55 years
 (e) None of these
25. The risk coverage under the PMSBY scheme is
 (a) Rs. 5 lakh for accidental death and full disability and Rs. 1 lakh for partial disability. (b) Rs. 2 lakh for accidental death and full disability and Rs. 1 lakh for partial disability.
 (c) Rs. 2 lakh for accidental death and full disability and Rs. 50,000 for partial disability. (d) Rs. 3 lakh for accidental death and full disability and Rs. 1 lakh for partial disability.
 (e) Rs. 5 lakh for accidental death and full disability and Rs. 50,000 for partial disability.
26. What is the annual premium payable under the Pradhan Mantri Suraksha Bima Yojana?
 (a) Rs. 11 (b) Rs. 15
 (c) Rs. 10 (d) Rs. 12
 (e) Rs. 20
27. What is the minimum pension guaranteed by the Govt of India under the Atal Pension Yojana?
 (a) Rs. 1500 (b) Rs. 3,000
 (c) Rs. 1,000 (d) Rs. 2,000
 (e) None of these
28. What is the minimum age at which a subscriber can join the Atal Pension Yojana?
 (a) 18 years (b) 19 years
 (c) 20 years (d) 21 years
 (e) 15 years
29. What is the maximum age at which a subscriber can join the Atal Pension Yojana?
 (a) 45 years (b) 40 years
 (c) 35 years (d) 25 years
 (e) 30 years
30. What is the age at which subscribers will be eligible for pension under the Atal Pension Yojana?
 (a) 40 years (b) 50 years
 (c) 60 years (d) 65 years
 (e) 62 years

Solutions

1. **(b):** Financial inclusion is an effort to make everyday financial services available to more of the world's population at a reasonable cost.
2. **(d):** the Lead Bank Scheme was introduced by the Reserve Bank of India in December 1969.
3. **(d):** Government of India, NABARD and RBI. Financial Inclusion Fund (FIF), and Financial Inclusion Technology Fund (FITF) is made for upgrade and support for developing and promotional activities and enhancing investment in Information Communication Technology, respectively.
4. **(b):** No Frill Accounts are the accounts which are specially opened for poor or lower class people and these accounts have some limitations on the usage of these accounts.
5. **(a):** The Basic Savings Bank Deposit Account or BSBDA is a Savings Account that does not have a minimum balance.
6. **(d):** The total credits in BSBDA accounts should not exceed one lakh rupees in a year.
7. **(c):** Maximum balance in the account should not exceed Rs 50000 (fifty thousand rupees) at any time
8. **(b):** Small accounts are valid for a period of 12 months initially which may be extended by another 12 months if the person provides proof of having applied for an Officially Valid Document.
9. **(b):** No. The 'Basic Savings Bank Deposit Account' should be considered as a normal banking service available to all customers, through branches
10. **(a):** If a customer has any other existing savings bank deposit account in that bank, he/she will be required to close it within 30 days from the date of opening a 'Basic Savings Bank Deposit Account'.
11. **(c):** All the existing 'No-frills' accounts opened pursuant to guidelines issued by the RBI and converted into BSBDA in compliance with the guidelines issued by the RBI
12. **(d):**
13. **(b):** PMJDY stands for Pradhan Mantri Jan-Dhan Yojna (PMJDY)
14. **(a):** Pradhan Mantri Jan Dhan Yojana (PMJDY), Launched by the Prime Minister Shri Narendra Modi on 28th August, 2014
15. **(c):** Pradhan Mantri Jan Dhan Yojana. Pradhan Mantri Jan Dhan Yojana (PMJDY), is financial inclusion program of Government of India which is applicable to 10 to 65 years age group
16. **(d):** The slogan for the Pradhan Mantri Jan Dhan mission is Mera Khata – Bhagya Vidhaata.
17. **(b):** RuPay is a card scheme, conceived and launched by the National Payments Corporation of India (NPCI) on 26 March 2012.
18. **(c):** This campaign is a big step towards socio-economic equality by bringing the underprivileged segments of Indian population into the formal banking fold for the first time.
19. **(b):** Pradhan Mantri Suraksha Beema Yojna
20. **(b):** Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) The PMJJBY is available to people in the age group of 18 to 50 years having a bank account who give their consent to join / enable auto-debit.
21. **(c):** Under PMJJBY scheme, life cover of Rs. 2 lakhs is available at a premium of Rs. 330 per annum per member and is renewable every year.
22. **(d):** Death Benefit- In case of demise of the insured person the PMJJBY provides a death coverage of Rs 2,00,000 to the beneficiary of the policy.
23. **(c):** Indian residents between the age of 18 and 50 years with a bank account are eligible for the scheme. In case the insured owns multiple savings bank accounts with different banks, they can join the scheme through a single savings bank account of their choice.
24. **(a):** Pradhan Mantri Suraksha Bima Yojana (PMSBY) The Scheme is available to people in the age group 18 to 70 years with a bank account who give their consent to join / enable auto-debit on or before 31st May for the coverage period 1st June to 31st May on an annual renewal basis.
25. **(b):** Under PMSBY, the risk coverage available is Rs 2 lakh for accidental death and permanent total disability, and Rs 1 lakh for permanent partial disability
26. **(d):** The premium payable is Rs 12 per annum per member and will be deducted from his bank account through an 'auto debit' facility in one instalment on or before June 1 every year.

27. (c): Atal Pension Yojana (APY), a pension scheme for citizens of India is focused on the unorganized sector workers. Under the APY, guaranteed minimum pension of Rs. 1,000/- or 2,000/- or 3,000/- or 4,000 or 5,000/- per month will be given at the age of 60 years depending on the contributions by the subscribers.

28. (a): At present, the minimum age of joining the scheme is 18 years and maximum is 40 years

29. (b): At present, the minimum age of joining the scheme is 18 years and maximum is 40 years

30. (c): The subscriber should be in the age band of 18-40 years to qualify. This implies the minimum period of contribution is 20 years post which the subscriber will be able to draw pension on a monthly basis.



The Government constitutes the Banks Board Bureau (BBB) to Improve the Governance of Public Sector Banks. Shri Vinod Rai, Former CAG of India was appointed as the 1st Chairman of Banks Board Bureau.

With a view to improve the Governance of Public Sector Banks (PSBs), the Government had decided to set up an autonomous Banks Board Bureau. The Bureau will recommend for selection of heads - Public Sector Banks and Financial Institutions and help Banks in developing strategies and capital raising plans.

Government announced the constitution of the Banks Board Bureau which will have three ex-officio members and three expert members in addition to Chairman. All the Members and Chairman will be part time.

Introduction

- The Banks Board Bureau has its genesis in the recommendations of The Committee to Review Governance of Boards of Banks in India, May 2014. Thereafter, on February 28, 2016, the Government of India, announced the constitution and composition of the Bureau.
- The Bureau started functioning from April 01, 2016 as an autonomous recommendatory body.
- The objective is to help prepare the banks in the public-sector universe to take on the competition, have the ability to appropriately manage and price risk across business cycles, develop resilience to generate internal capital and have the capacity to generate external capital warding of the moral hazard in counting on the scarce budgetary resources of tax payers.
- The Bureau is also engaging with the Public-Sector Banks (PSBs) to help build capacity to attract, retain and nurture both talent and technology - the two key differentiators of business competencies in the days to come.
- While the Bureau is working towards attracting the best personages on the boards, it is these boards which should drive the overall strategy of a bank within its risk capacity and also act as custodians who should reconcile the diverse interests of various stakeholders.
- Banks Board Bureau (BBB) is an autonomous body of the Government of India tasked to improve the governance of Public Sector Banks, recommend selection of chiefs of government owned banks and financial institutions and to help banks in developing strategies and capital raising plans. In February 2016, the Modi government approved the proposal for setting up BBB and it started functioning from April 2016.
- The BBB works as a step towards governance reforms in Public Sector Banks (PSBs) as recommended by P.J. Nayak Committee.
- Shri Bhanu Pratap Sharma is the Current Chairman of BBB.
- It is housed in RBI's Central Office in Mumbai.
- The BBB was part of the Indradhanush Plan of government.

Functions of the Banks Board Bureau

- To be responsible for the selection and appointment of Board of Directors in PSBs and FIs (Whole-time Directors and Non-Executive Chairman);
- To advise the Government on matters relating to appointments, confirmation or extension of tenure and termination of services of the Board of Directors of the above mentioned levels;
- To advise the Government on the desired structure at the Board level, and, for senior management personnel, for each PSB and FI;
- To advise the Government on evolving suitable training and development programmes for management personnel in PSBs/FIs; and
- To advise the Government on the formulation and enforcement of a code of conduct and ethics for managerial personal in PSBs/FIs;

- To build a data bank containing data relating to the performance of PSBs/FIs, its senior management and the Board of Directors and share the same with Government;
- To help banks to develop a robust leadership succession plan for critical positions that would arise in future through appropriate HR processes including performance management systems.
- To help banks in terms of developing business strategies and capital raising plan etc.

Banks Board Bureau Members as on 24th November 2021

- Shri Bhanu Pratap Sharma: **Chairman**
- Shri Debasish Panda: **Ex-officio member**
- Shri Ali Raza Rizvi: **Ex-officio member**
- Shri M. Rajeshwar Rao: **Ex-officio member**
- Ms Vedika Bhandarkar: **Part-time member**
- Shri Panja Pradeep Kumar: **Part-time member**
- Shri Pradip Panalal Shah: **Part-time member**

Exercise

- | | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>1. What does BBB stand for?
 (a) Banks Board Bureau (b) Banking Board Bureau
 (c) Bankers Board Bureau (d) Banks Board Branch
 (e) None of these</p> <p>2. When did the Banks Board Bureau start its working?
 (a) 1st May, 2016 (b) 1st April, 2018
 (c) 1st April, 2016 (d) 1st June, 2016
 (e) None of these</p> <p>3. How many members are there in the Banks Board Bureau for PSBs?
 (a) Ten (b) Six
 (c) Eight (d) Seven
 (e) Five</p> <p>4. The BBB works as step towards governance reforms in Public Sector Banks (PSBs) as recommended by</p> | <p>(a) MV Nair Committee
 (b) P.J. Nayak Committee
 (c) Usha Thorat Committee
 (d) Shri Deepak Mohanty Committee
 (e) None of these</p> <p>5. The BBB was the part of which government plan?
 (a) Mudra Yojana
 (b) Indradhanush Plan
 (c) Pradhan Mantri Jan Dhan Yojana
 (d) Indraprastha Plan
 (e) None of these</p> <p>6. Who was the first chairman of BBB?
 (a) Shri Vinod Rai (b) P.J. Nayak
 (c) Bhanu Pratap Sharma (d) Rajnish Kumar
 (e) None of these</p> |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

Solutions

- | | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>1. (a): BBB stand for Banks Board Bureau</p> <p>2. (c): The Banks Board Bureau, which started to function in April 2016.</p> <p>3. (d):</p> | <p>4. (b): The BBB works as step towards governance reforms in Public Sector Banks (PSBs) as recommended by P.J. Nayak Committee.</p> <p>5. (b): The BBB was the part of Indradhanush Plan of government.</p> <p>6. (a): Vinod Rai was the first chairman of BBB</p> |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|



- **Reserve Bank of India Act, 1934 (RBI Act)** has been amended by **the Finance Act, 2016**, to provide for a statutory and institutionalised framework for a **Monetary Policy Committee**, for maintaining price stability, while keeping in mind the objective of growth.
- The committee was created in 2016 to bring transparency and accountability in fixing India's Monetary Policy.
- The Monetary Policy Committee would be entrusted with the task of fixing the benchmark policy rate (repo rate) required to contain inflation within the specified target level.
- A Committee-based approach for determining the Monetary Policy will add a lot of value and transparency to monetary policy decisions.
- The meetings of the Monetary Policy Committee shall be held at least 4 times a year and it shall publish its decisions after each such meeting.
- As per the provisions of the RBI Act, out of the six Members of the Monetary Policy Committee, three Members will be from the RBI and the other three Members of MPC will be appointed by the Central Government.
- The Monetary Policy Committee of India is a committee of the Reserve Bank of India that is responsible for fixing the benchmark interest rate in India. The meetings of the Monetary Policy Committee are held at least 4 times a year and it publishes its decisions after each such meeting.
- The Governor of Reserve Bank of India is the chairperson ex officio of the committee. Decisions are taken by majority with the Governor having the casting vote in case of a tie.
- The mandate of the committee is to maintain 4% annual inflation until March 31, 2021 with an upper tolerance of 6% and a lower tolerance of 2%. Maintaining the status quo on inflation targeting, the government on again on 31st March 2021 extended 4 per cent retail inflation target for the Reserve Bank of India for the next five years i.e. until 31st March 2026.

Composition of MPC

The composition of the current and first monetary policy committee is as follows:

- Governor of the Reserve Bank of India – **Chairperson, ex officio - Shaktikanta Das**
- Deputy Governor of the Bank in charge of monetary policy — **Michael Debrata Patra**
- Executive director of the Bank in charge of monetary policy — **M K Saggi**
- **Ashima Goyal** is a member of Prime Minister Narendra Modi's economic advisory council - Member
- **Shashanka Bhide** is a senior advisor at the National Council for Applied Economic Research - Member
- **Jayanth Varma** is a finance and accounting professor at the Indian Institute of Management, Ahmedabad - Member

Note: Members referred to at 4 to 6 above, will hold office for a period of four years from the date of appointment while the other three members are official.

Exercise

- The Monetary Policy Committee was created in which year to bring transparency and accountability in fixing India's Monetary Policy?
(a) 2015 (b) 2016
(c) 2014 (d) 2012
(e) None of these
- Who is responsible for conducting monetary policy in India?
(a) SIDBI (b) GOI
(c) Finance ministry (d) RBI
(e) None of these
- The meetings of the Monetary Policy Committee shall be held at least how many times a year?
(a) 6 (b) 5
(c) 4 (d) 7
(e) None of these
- The current mandate of the committee is to maintain 4% annual inflation until what date with an upper tolerance of 6% and a lower tolerance of 2%?
(a) March 31, 2022 (b) March 31, 2023
(c) March 30, 2024 (d) March 31, 2025
(e) March 31, 2026
- Who is the chairman of the Monetary Policy Committee?
(a) Governor of RBI (b) Finance minister
(c) Finance secretary (d) Prime minister
(e) Head of NITTI Ayog
- Which section of RBI Act, 1934 provides the powers to constitute the Monetary Policy Committee?
(a) Section 45 YB (b) Section 46 ZB
(c) Section 45 ZA (d) Section 45 ZB
(e) Section 40 ZB
- For what period Members of the Monetary Policy Committee appointed by the Central Government shall hold office?
(a) 3 years (b) 2 years
(c) 4 years (d) 5 years
(e) 7 years
- Which framework is used by RBI to control Inflation?
(a) Regulated inflation targeting framework
(b) Flexible inflation targeting framework
(c) Fiscal inflation targeting framework
(d) Restricted inflation targeting framework
(e) Low inflation targeting framework
- Which price index is targeted by MPC under its revised framework to contain inflation?
(a) Wholesale price index
(b) Consumer Price Index
(c) Monetary Index
(d) Liquidity Index
(e) None of these
- How many members are there in the Monetary Policy committee?
(a) Six (b) Seven
(c) Eight (d) Five
(e) Four

Solutions

- (b):** Government decided to bring the provisions of amended RBI Act regarding constitution of MPC into force on 27 June, 2016 so that statutory basis of MPC is made effective.
- (d): Monetary policy** refers to the **policy** of the central bank with regard to the use of **monetary** instruments under its control to achieve the goals specified in the Act. The Reserve Bank of **India (RBI)** is vested with the **responsibility of conducting monetary policy**
- (c):** The Members of the Monetary Policy Committee appointed by the Central Government shall hold office for a period of four years,
- (e):** The government has asked the Reserve Bank to maintain retail inflation at 4 percent with a margin of 2 per cent on either side for another five-year period until 31st March 2026.
- (a):** the Central Government has accordingly constituted, through a Gazette Notification dated 29th Sept 2016, the Monetary Policy Committee of RBI, with the following composition, namely:-
 - The Governor of the Bank—Chairperson, ex officio;
 - Deputy Governor of the Bank, in charge of Monetary Policy—Member, ex officio;
 - One officer of the Bank to be nominated by the Central Board—Member, ex officio;
 - Shri Chetan Ghate, Professor, Indian Statistical Institute (ISI) —Member
 - Professor Pami Dua, Director, Delhi School of Economics (DSE) — Member
 - Dr. Ravindra H. Dholakia, Professor, Indian Institute of Management (IIM), Ahmedabad—Member

6. **(d):** the six Members of Monetary Policy Committee, three Members will be from the RBI and the other three Members of MPC will be appointed by the Central Government. In exercise of the powers conferred by section 45ZB of the Reserve Bank of India Act, 1934, the Central Government has accordingly constituted,
7. **(c):** The Members of the Monetary Policy Committee appointed by the Central Government shall hold office for a period of four years,
8. **(b):** While the Government of India sets the Flexible Inflation Targeting Framework in India, it is the

Reserve Bank of India (RBI) which operates the Monetary Policy Framework of the country.

9. **(b):** A **wholesale price index (WPI)** is an **index** that measures and tracks the changes in the **price** of goods in the stages before the retail level – that is, goods that are sold in bulk and traded between entities or businesses instead of consumers.
10. **(a):** The meetings of the Monetary Policy Committee are held at least 4 times a year and it publishes its decisions after each such meeting. The committee comprises six members - three officials of the Reserve Bank of India and three external members nominated by the Government of India.



- The Indian Banks' Association (IBA) was formed on September 26, 1946 with 22 members.
- As on July 2, 2019 the total Membership of the Association is 246.
- Ordinary: 144
- Associate: 102
- The members comprise of
 - Public Sector Banks
 - Private Sector Banks
 - Foreign Banks having offices in India and
 - Co-operative Banks.
 - Regional Rural Banks
 - All India Financial Institution
- Shri Sunil Mehta is the Current Chief Executive.
- Mr. Gopal Murli Bhagat is the Current Deputy Chief Executive.
- Shri A K Goel is the Current CHAIRMAN of IBA.

Objective of IBA

- To promote and develop in India sound and progressive banking principles, practices and conventions and to contribute to the developments of creative banking.
- To render assistance and to provide various common services to Members and to the banking industry.
- To develop and implement new ideas and innovations in banking services, operations and procedures.
- To organize co-ordination and co-operation on procedural, legal, technical, administrative or professional problems and practices of banks and the banking industry.
 1. To initiate advance planning for introduction of new systems or services in the banking industry.
 2. To collect, classify and circulate statistical and other information on the structure and working of the banking system.
 3. To act as a clearing house for dissemination and exchange of statistical data, information, views and opinions on the systems, procedures and practices, and organization and methods of banks and on the structure, working and operations of the banking system.
 4. To explore, plan, coordinate and organize detailed surveys on banking, business, resources, personnel and management development programmes of banks and the banking industry.
 5. To pool together talents and resources available with members and to organize exchange of expertise and experiences of members for simplifying forms and procedures, for reducing cost of operations, for increasing efficiency and productivity and for such other common purposes as may be necessary or relevant to banks and the banking industry.
 6. To organize exchange of credit information and opinions, export information or information and views on any other aspects of interest to banks or the banking industry.
 7. To promote education and knowledge of the law and practice of banking.
 8. To issue periodical newsletters, bulletins or magazines and publish books, pamphlets or other literature on matters of interest to members and to the banking industry.
 9. To project a good public image of banking as a service industry and develop good public relations.
- 1. **To promote harmonious personnel relations in banking industry and to devise ways and means for involving banking personnel in the endeavours of banks for growth and development of banking and the economy of the country.**
 - To organize, promote and afford facilities for indoor and outdoor games, any form of sports, recreation, sports competitions, events, cultural activities, social activities, fine arts, social meetings, entertainments and to organize meetings for the above purposes and to provide for purposes by purchasing, acquiring, taking on lease, own, hire or otherwise playing fields, grounds, buildings, pavilions and other facilities.

- To give financial assistance to individuals or bodies, from out of its own funds, or by collection from its members, or from any other source, and for the purpose of such collection, to accept grants, donations, etc. in cash or kind from Government, its members, other organizations, members of the public, etc. and to collect subscriptions, membership and other fees and to levy fees or charges for the use of the facilities and to raise funds in any manner to strengthen the financial position of the Association, from time to time, for the purpose of providing education, training and facilities for imparting basic, advance knowledge and techniques in games, sports, cultural activities, social activities, fine arts, etc. and to give donations, technical and other assistance, sports equipments, sports facilities and expert guidance to organizers for this purpose whether its members or not and to conduct, organize, participate or to associate itself in State-Level, Nation, International Tournaments and competitions pertaining to sports, cultural activities, social activities, fine arts, etc., held in or outside India.
- To found, establish, develop and finance a separate body for the promotion of objects contained in Clauses n, nn, nnn, and generally, and to register it as a Society and/or Public Trust, or a Company under the provisions of relevant Acts, as the case may be.
- To maintain continuous communications with the representatives of bank employees, to conduct talks, discussions, and negotiations with them and to arrive at Settlements.
- To provide assistance and guidance to members in interpretation and implementation of Awards, Settlements, etc.
- To assist, advise and guide all members and the smaller members in particular on all their needs, difficulties and problems of growth, development and working.
- To act as an agent or a representative of a member or members in respect of matters connected with any of their operations working or administration.
- To maintain close coordination and liaison with Reserve Bank of India, All Financial Institutions, Chambers of Commerce, Organisations of Banking Industry, Management or Educational Institutes, Universities and such other Organisations for realizing the subject and purposes of the Association.
- Generally, to do all and any other thing that may be necessary or relevant for the realization of the objects and purposes of the Association directly or indirectly.
- To carry on publicity for the purpose of educating public opinion with regard to the scope, importance and activities of the banking industry, for creative growth and development.
- To do all and such other things as are incidental or conducive to the attainment of any or all of the above objects.

Exercise

1. The Indian Banks' Association (IBA) was formed in which year?
 (a) September 26, 1947 (b) September 27, 1946
 (c) September 26, 1946 (d) September 26, 1945
 (e) May 26, 1946
2. The Indian Banks' Association (IBA) was formed initially with how many members?
 (a) 24 (b) 22
 (c) 25 (d) 23
 (e) 21
3. Who is the Current Chief Executive of IBA?
 (a) Chanda kochar (b) Mr. V.G. Kannan
 (c) Mr. K.N Kanan (d) Shri Sunil Mehta
 (e) Dinabandhu Mohapatra
4. Who is the Current Deputy Chief Executive of IBA?
 (a) Mr. Gopal Murli Bhagat
 (b) Mr. B Raj Kumar
 (c) Rajnish Kumar
 (d) Dinabandhu Mohapatra
 (e) None of these
5. As on 2nd July 2019, the total Membership of The Indian Banks' Association is
 (a) 251 (b) 253
 (c) 254 (d) 250
 (e) None of these
6. Who is the Current Chairman of IBA?
 (a) Mr. K Unnikrishnan (b) Mr. B Raj Kumar
 (c) Rajnish Kumar (d) Dinabandhu Mohapatra
 (e) A K Goel

Solutions

1. **(c):** Indian Banks' Association (IBA), an association of Indian banks and financial institutions, was formed on 26 September 1946 in Mumbai as a representative body of management of banking operating in India.
2. **(b):** With an initial membership representing 22 banks in India in 1946, IBA currently represents 237 banking companies operating in India.
3. **(d):**
4. **(a):**
5. **(d):**
6. **(e):** The Managing Committee of the Indian Banks' Association (IBA) has elected A K Goel, Managing Director & CEO, UCO Bank, as the Chairman of the Association for the term 2021-22.



All About NPCI

- National Payments Corporation of India (NPCI), an umbrella organisation for operating retail payments and settlement systems in India, is an initiative of Reserve Bank of India (RBI) and Indian Banks' Association (IBA) under the provisions of the Payment and Settlement Systems Act, 2007, for creating a robust Payment & Settlement Infrastructure in India.
- Founded in 2008, NPCI is a not-for-profit organisation registered under section 8 of the Companies Act 2013.
- The ten core promoter banks are State Bank of India, Punjab National Bank, Canara Bank, Bank of Baroda, Union Bank of India, Bank of India, ICICI Bank, HDFC Bank, Citibank N. A. and HSBC.
- Dilip Asbe is currently the MD & CEO of NPCI.
- Mr. Biswamohan Mahapatra is the Non Executive Chairman.
- HQ is in Mumbai.

**What is BHIM?**

- Bharat Interface for Money (BHIM) is an app that lets us make simple, easy and quick payment transactions using Unified Payments Interface (UPI).
- With this, we can make instant bank-to-bank payments and Pay and collect money using just a Mobile number or Virtual Payment Address (UPI ID).

What are the features of BHIM?

- Send Money by entering Virtual Payment Address (UPI ID), Account number and QR Scan.
- Request Money i.e. Collect money by entering Virtual Payment Address (UPI ID).
- One can also transfer money using Mobile No. (Mobile No should be registered with BHIM or *99# and the account should be linked).
- Pay by scanning the QR code through Scan & Pay or generate your to let others make easy payments to you.
- Currently BHIM is available in 20 languages, i.e., Hindi, English, Tamil, Telugu, Malayalam, Bengali, Odia, Kannada, Gujarati, Marathi, Assamese, Bengali, Bhojpuri, Haryanvi, Marwari, Konkani, Manipuri, Khasi and Mizo.

Points to Remember related to BHIM

- Unified Payments Interface (UPI) is a system that powers multiple bank accounts into a single mobile application (of any participating bank), merging several banking features, seamless fund routing & merchant payments into one hood.
- Virtual Payment Address (VPA) is a unique identifier which you can use to send and receive money on UPI. Think of it as an email ID which you can use to transfer money.
- NPCI does not charge any user for transacting on BHIM. Kindly get in touch with your bank to ask for their charges.
- UPI PIN is a four or six digit number that is set by the customers on BHIM after the registration process. UPI PIN is used for authenticating all transactions done on UPI platform (BHIM or *99# or UPI apps).
- A user can send upto Rs 40,000 per transaction and a maximum of Rs 40,000 per day for one bank account. This limit is available per bank account linked on BHIM.
- No, there is no limit on the amount of money that can be received using BHIM.

What is UPI?

- Unified Payments Interface (UPI) is a system that powers multiple bank accounts into a single mobile application (of any participating bank), merging several banking features, seamless fund routing & merchant payments into one hood.
- It also caters to the "Peer to Peer" collect request which can be scheduled and paid as per requirement and convenience.
- NPCI conducted a pilot launch with 21 member banks on 11th April 2016.

What are the features of UPI? Let's Talk about its UNIQUENESS

- Immediate money transfer through mobile device round the clock 24*7 and 365 days.
- Single mobile application for accessing different bank accounts.
- Virtual address of the customer for Pull & Push provides for incremental security with the customer not required to enter the details such as Card no, Account number; IFSC etc.
- Best answer to Cash on Delivery hassle, running to an ATM or rendering exact amount.
- Merchant Payment with Single Application or In-App Payments.
- Utility Bill Payments, Over the Counter Payments, Barcode (Scan and Pay) based payments.
- Raise Complaint from Mobile App directly.

What is Bharat Bill Pay?

- Bharat Bill Payment System is a Reserve Bank of India (RBI) conceptualised system driven by National Payments Corporation of India (NPCI).
- It is a one-stop payment platform for all bills providing an interoperable and accessible "Anytime Anywhere" bill payment service to all customers across India with certainty, reliability and safety of transactions.

What are the features of Bharat Bill Pay?

- Bharat BillPay a One-stop access: It has multiple modes of payment and provides instant confirmation of payment via an SMS or receipt.
- Bharat BillPay offers myriad bill collection categories like electricity, telecom, DTH, gas, water bills etc. through a single window.
- Bharat BillPay transactions can be initiated through multiple payment channels like Internet, Internet Banking, Mobile, Mobile-Banking, POS (Point of Sale terminal), Mobile Wallets, MPOS (Mobile Point of Sale terminal), Kiosk, ATM, Bank Branch, Agents and Business Correspondents.

What is BBPCU & BBPOU?

- Bharat Bill Payment Central Unit (BBPCU)
- NPCI has been authorized by RBI as the Bharat Bill Payment Central Unit (BBPCU) and is responsible for setting business standards, rules and procedures for technical and business requirements for all participants.
- BBPCU undertakes clearing and settlement activities related to transactions routed through Bharat BillPay.
- About Bharat Bill Payment Operating Unit (BBPOU)
- Bharat Bill Payment Operating Unit aka BBPOU is the entity that is authorized by RBI. It can be a Bank or a Non-Bank.
- BBPOU may choose to integrate either with the customers, (COU: Customer OU) or with the billers (Biller OU) or may wish to participate as both – which means such BBPOU will be integrated with customers as well as billers.

What is IMPS?

- For transferring funds real time and 24X7X365 interbank was a major challenge faced in the banking industry. Only NEFT & RTGS were available to users for fund transfer during banking hours.
- Immediate Payment Service (IMPS) public launch happened on 22nd November 2010 and this service is now available to the Indian public.
- IMPS provides robust & real time fund transfer which offers an instant, 24X7, interbank electronic fund transfer service that could be accessed on multiple channels like Mobile, Internet, ATM, SMS, Branch and USSD(*99#).
- IMPS is an emphatic service which allows transferring of funds instantly within banks across India which is not only safe but also economical. Currently on IMPS, 243 members are live which includes banks & PPIs.
- This facility is provided by NPCI through its existing NFS switch.

What is *99#?

- *99#, a USSD based mobile banking service of NPCI was initially launched in November 2012. The service had limited reach and only two TSPs were offering this service i.e. MTNL & BSNL. With the wider ecosystem (11 TSPs), *99# was dedicated to the nation by Hon'ble Prime minister on 28th August 2014, as part of Pradhan Manti Jan Dhan Yojna.
- NPCI launched UPI with member banks on 25th August, 2016. UPI allows account holders across banks to send and receive money using a unique id known as UPI id or payment address.
- UPI is now available for non-internet based mobile devices (smartphone as well as basic phones) in the form of dialing option (*99#) and is known as USSD 2.0 . This functionality i.e. USSD 2.0 was launched along with BHIM on 30th December 2016.

What are the features of *99#?

- *99# service has been launched to take the banking services to every common man across the country. Banking customers can avail this service by dialing *99#, a “Common number across all Telecom Service Providers (TSPs)” on their mobile phone and transact through an interactive menu displayed on the mobile screen.
- Key services offered under *99# service include, Sending and Receiving interbank account to account funds, balance enquiry, setting / changing UPI PIN besides host of other services.
- *99# service is a unique interoperable direct to consumer service that brings together the diverse ecosystem partners such as Banks & TSPs (Telecom Service Providers).
- *99# service is currently offered by 41 leading banks & all GSM service providers and can be accessed in 13 different languages including Hindi & English.

What is NACH?

- NPCI implemented “National Automated Clearing House (NACH)” for Banks, Financial Institutions, Corporates and Government.
- It is a web based solution to facilitate interbank (among Banks), high volume, electronic transactions which are repetitive and periodic in nature.
- NACH System can be used for making bulk transactions towards distribution of subsidies, dividends, interest, salary, pension etc. and also for bulk transactions towards collection of payments pertaining to telephone, electricity, water, loans, investments in mutual funds, insurance premium etc.

What are the features of NACH?

- It is a centralised system, launched with an aim to consolidate multiple ECS systems running across the country and provides a framework for the harmonization of standard & practices and removes local barriers/inhibitors.
- It also supports Financial Inclusion measures initiated by Govt., Govt. Agencies and Banks by providing support to Aadhaar based transactions.
- It facilitates the member banks to design their own products and also addresses specific needs of the banks & corporates including a refined Mandate Management System (MMS) and an online Dispute Management System (DMS) coupled with strong information exchange and customised MIS capabilities.
- NACH’s Aadhaar Payment Bridge (APB) System, developed by NPCI has been helping the Government and Government Agencies in making the Direct Benefit Transfer scheme a success.

What is NFS?

- National Financial Switch (NFS) is the largest network of shared automated teller machines (ATMs) in India.
- National Financial Switch (NFS) ATM network having 37 members and connecting about 50,000 ATMs was taken over by NPCI from Institute for Development and Research in Banking Technology (IDRBT) on December 14, 2009.
- NFS has introduced a sub-membership model which enables smaller, regional banks including RRBs and local co-operative banks to participate in the ATM network.
- Dispute Management System (DMS), has benefitted members with high operational efficiency and ease of online transaction life cycle management (chargeback, representment, etc.) in the network apart from being compliant with local regulatory requirements.
- Apart from basic transactions like Cash Withdrawal, Balance Enquiry, PIN Change and Mini Statement, NFS also offers other Value Added Services (VAS) on ATMs/CDMs like:
- Interoperable Cash Deposit (ICD), Mobile Banking Registration (MBR), Card-to-Card Fund Transfer (C2C), Cheque Book Request (CBR), Statement Request (SR) & Aadhar Number Seeding (ANS).

What is AePS?

- AePS is a bank led model which allows online inter-operable financial inclusion transactions at PoS (Micro-ATM) through the Business correspondent of any bank using the Aadhaar authentication.
- AePS allows you to do six types of transactions.
- The only inputs required for a customer to do a transaction under this scenario are:-
- IIN (Identifying the Bank to which the customer is associated)
- Aadhaar Number
- Fingerprint captured during their enrollment



What are the Objectives to launch the AePS?

- To empower a bank customer to use Aadhaar as his/her identity to access his/ her respective Aadhaar enabled bank account and perform basic banking transactions like cash deposit, cash withdrawal, Intrabank or interbank fund transfer, balance enquiry and obtain a mini statement through a Business Correspondent
- To sub-serve the goal of Government of India (GoI) and Reserve Bank of India (RBI) in furthering Financial Inclusion.
- To sub-serve the goal of RBI in electronification of retail payments.
- To enable banks to route the Aadhaar initiated interbank transactions through a central switching and clearing agency.
- To facilitate disbursements of Government entitlements like NREGA, Social Security pension, Handicapped Old Age Pension etc. of any Central or State Government bodies, using Aadhaar and authentication thereof as supported by UIDAI.

What is Bharat QR?

- A QR code consists of black squares arranged in a square grid on a white background, which can be read by an imaging device such as a camera. It contains information about the item to which it is attached.
- NPCI jointly worked with International card Schemes to develop a common standard QR code specifications.
- BQR is a Person to Merchant (P2M) Mobile payment solution.

Exercise

- | | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>1. What does NPCI stand for?
 (a) National Payments company of India
 (b) National Paid Corporation of India
 (c) National Payments Corporation of India
 (d) National Payment commission of India
 (e) None of these</p> <p>2. NPCI was Founded in which year?
 (a) 2006 (b) 2002
 (c) 2005 (d) 2008
 (e) 2007</p> <p>3. NPCI has been incorporated as a "Not for Profit" Company under the provisions of
 (a) Section 25 of Companies Act 1956 (now Section 8 of Companies Act 2013)
 (b) Section 21 of Companies Act 1956 (now Section 7 of Companies Act 2013)
 (c) Section 23 of Companies Act 1956 (now Section 8 of Companies Act 2013)
 (d) Section 22 of Companies Act 1956 (now Section 10 of Companies Act 2013)
 (e) Section 20 of Companies Act 1956 (now Section 9 of Companies Act 2013)</p> <p>4. What does NACH stand for?
 (a) National Automatic Clearing House
 (b) National Automated Clearing House
 (c) National Automated Cleared House
 (d) National Authority of Clearing House
 (e) None of these</p> <p>5. NPCI has how many core promoter banks?
 (a) 11 (b) 20
 (c) 50 (d) 10
 (e) None of these</p> <p>6. Headquarter of NPCI is in
 (a) Nashik (b) Delhi</p> | <p>(c) Mumbai (d) Chennai
 (e) Kolkata</p> <p>7. Abbreviation of BHIM?
 (a) Bhim Interface for Money
 (b) Bharat Indian for Money
 (c) Bharat Interface for Money
 (d) Bharat Interface for Monetary
 (e) None of these</p> <p>8. Which payment service is used by the BHIM app?
 (a) IMPS (b) SMPS
 (c) NEFT (d) RGST
 (e) None of these</p> <p>9. What is the maximum limit of transaction per day in BHIM app?
 (a) Rs. 20,000 (b) Rs. 40,000
 (c) Rs. 30,000 (d) Rs. 50,000
 (e) Rs. 10,000</p> <p>10. Currently BHIM is available in how many languages?
 (a) 20 (b) 22
 (c) 24 (d) 26
 (e) 28</p> <p>11. What is the maximum limit on the amount received in one day by BHIM APP ?
 (a) 10,000 (b) 20,000
 (c) 30,000 (d) 40,000
 (e) No limit</p> <p>12. _____ is a unique identifier which you can use to send and receive money on UPI.
 (a) Virtual Payment location
 (b) Virtual Paid Address
 (c) Virtual Payment Address
 (d) Virtual Payment link
 (e) Real Payment Address</p> |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

13. _____ is a system that powers multiple bank accounts into a single mobile application (of any participating bank), merging several banking features, seamless fund routing & merchant payments into one hood.
 (a) Virtual Payment Address
 (b) Unified Payments Interface
 (c) Unique Payments Interface
 (d) Unified Payment of India
 (e) None of these
14. Which system has been designed by NPCI for the Direct Benefit Transfer (DBT) system?
 (a) ABPS (b) IBPS
 (c) NEFT (d) SMPS
 (e) None of these
15. UPI was launched by Whom?
 (a) Rajnath Singh (b) Narendra Modi
 (c) Raghuram Rajan (d) Manmohan Singh
 (e) Shaktikanta Das
16. Bharat Bill Payment System (BBPS) was set up in
 (a) 2013 (b) 2014
 (c) 2015 (d) 2012
 (e) 2010
17. Which NPCI platform is responsible for setting business standards, rules and procedures for technical and business requirements for all participants?
 (a) Real Time Gross Settlement
 (b) Bharat Bill Payment Central Unit (BBPCU)
 (c) Immediate Payment Service
 (d) National Electronic Fund Transfer
 (e) None of these
18. Immediate Payment Service (IMPS) public launch on
 (a) 23rd November 2010
 (b) 22nd November 2011
 (c) 22nd November 2012
 (d) 22nd November 2010
 (e) 22nd December 2010
19. *99# was dedicated to the nation by Hon'ble Prime minister on 28th August 2014, as part of
 (a) Pradhan Manti Awas Yojna
 (b) Pradhan Manti Jan Dhan Yojna
 (c) Ujjawala Yojna
 (d) Pradhan Manti Jan arogya Yojna
 (e) None of these
20. *99#, a USSD based mobile banking service of NPCI was initially launched in
 (a) November 2014 (b) November 2012
 (c) November 2013 (d) December 2012
 (e) November 2015
21. NACH has been launched with an aim to consolidate multiple _____ systems running across the country
 (a) Immediate Payment Service
 (b) Real Time Gross Settlement
 (c) Electronic Clearing System (ECS)
 (d) National Electronic Fund Transfer
 (e) None of these
22. Which of the following is the largest network of shared automated teller machines (ATMs) in India?
 (a) Immediate Payment Service
 (b) Real Time Gross Settlement
 (c) Electronic Clearing System (ECS)
 (d) National Financial Switch (NFS)
 (e) None of these
23. _____ is a bank led model which allows online interoperable financial inclusion transactions at PoS (MicroATM) through the Business correspondent(BC) of any bank using the Aadhaar authentication.
 (a) Aadhar Enabled Paid System (AEPS) (b) Aadhar Enabled Processing System (AEPS)
 (c) Aadhar Enabled Payment System (AEPS)
 (d) Immediate Payment Service
 (e) None of these
24. NACH's Aadhaar Payment Bridge (APB) has the capacity to handle _____ transactions per day.
 (a) 30 million (b) 20 million
 (c) 10 million (d) 50 million
 (e) 100 million
25. Bharat QR is _____ Mobile payment solution.
 (a) Business to Business (B2B)
 (b) Person to Merchant (P2M)
 (c) Business to Merchant (B2M)
 (d) Person to Person(P2P)
 (e) Customer to Customer (C2C)
26. First RuPay ATM & Micro ATM Card with Aadhaar Number was issued by?
 (a) Union Bank of India (b) Bank of India
 (c) Central Bank of India (d) State bank of India
 (e) None of these
27. How many digits code are there in Mobile Money Identifier (MMID)?
 (a) Six Digit code (b) Eight Digit code
 (c) Seven Digit code (d) Five Digit code
 (e) None of these
28. The authorized capital of NPCI is _____
 (a) Rs.200 crore (b) Rs.300 crore
 (c) Rs.500 crore (d) Rs.400 crore
 (e) None of these
29. The paid-up capital of NPCI is _____
 (a) Rs.131 crore (b) Rs.132 crore
 (c) Rs.135 crore (d) Rs.137 crore
 (e) None of these

Solutions

1. **(c):** National Payments Corporation of India (NPCI) is an umbrella organization for all retail payments in India.
2. **(d):** The NPCI was incorporated in December 2008 and the Certificate of Commencement of Business was issued in April 2009.
3. **(a):** National Payments Corporation of India (NPCI) is an umbrella organization for all retail payments in India. Considering the utility nature of the objects of NPCI, it has been incorporated as a "Not for Profit" Company under the provisions of Section 25 of Companies Act. NPCI expands shareholder base adding 46 banks
4. **(b):** National Automated Clearing House (NACH)
5. **(d):** The ten core promoter banks are State Bank of India, Punjab National Bank, Canara Bank, Bank of Baroda, Union Bank of India, Bank of India, ICICI Bank, HDFC Bank, Citibank N. A. and HSBC.
6. **(c):** The Headquarter of NPCI is in Mumbai, India
7. **(c):** The Full form of BHIM is Bharat Interface for Money. BHIM
8. **(a):** Bharat Interface for Money (BHIM) is a payment app that lets you make simple, easy and quick transactions using Unified Payments Interface (UPI).
9. **(b):** A user can send upto Rs 40,000 per transaction and a maximum of Rs 40,000 per day for one bank account
10. **(a):** Currently, BHIM is available in 20 languages, i.e., Hindi, English, Tamil, Telugu, Malayalam, Bengali, Odia, Kannada, Gujarati, Marathi, Assamese, Bengali, Bhojpuri, Haryanvi, Marwari, Konkani, Manipuri, Khasi and Mizo.
11. **(e):** There is no limit on the amount of money that can be received using BHIM.
12. **(c):** A virtual payment address (VPA) is an identifier that can be uniquely mapped to an individual account. Unified Payment Interface (UPI) services offer customers the option to create any number of VPAs for making and receiving payments
13. **(b):** Unified Payments Interface (UPI) is a system that powers multiple bank accounts into a single mobile application (of any participating bank), merging several banking features, seamless fund routing & merchant payments into one hood. It also caters to the "Peer to Peer" collect request which can be scheduled and paid as per requirement and convenience.
14. **(a):** Aadhaar Payment Bridge (APB) System is helping the Government and Government agencies in making the Direct Benefit Transfers for various Central as well as State sponsored schemes
15. **(c):** Unified Payments Interface (UPI) is a revolutionary payments system launched by NPCI on 11th April, 2016 by ex-RBI governor Shri Raghuram Rajan.
16. **(a):**
17. **(b):** National Payments Corporation of India (NPCI) has been authorized by RBI as the Bharat Bill Payment Central Unit (BBPCU) and is responsible for setting business standards, rules and procedures for technical and business requirements for all participants.
18. **(d):** Immediate Payment Service (IMPS) public launched on 22nd November 2010 by Smt. Shyamala Gopinath, DG RBI at Mumbai
19. **(b):** It is a technology that uses a Global System for Mobile(GSM) communication network to send text between a mobile phone and an application program
20. **(b):** *99#, a USSD based mobile banking service of NPCI was initially launched in November 2012
21. **(c):** National Automated Clearing House (NACH) is a centralised system, launched with an aim to consolidate multiple ECS systems running across the country and provides a framework for the harmonization of standard & practices and removes local barriers/inhibitors. NACH system will provide a national footprint and is expected to cover the entire core banking enabled bank branches spread across the geography of the country irrespective of the location of the bank branch.
22. **(d):** National Financial Switch (NFS) ATM network having 37 members and connecting about 50,000 ATMs was taken over by NPCI from Institute for Development and Research in Banking Technology (IDRBT) on December 14, 2009.

- 23. (c):** Aadhaar Enabled Payment System (AEPS) is a type of payment system that is based on the Unique Identification Number and allows Aadhaar card holders to seamlessly make financial transactions through Aadhaar-based authentication.
- 24. (c):** Aadhaar Payment Bridge (APB) system capable to handle 10 million transactions per day. It also supports multiple intra day sessions.
- 25. (b):** Bharat QR is P2M (Person to Merchant) Mobile payment solution
- 26. (b):** Bank of India was the first bank to launch the Aadhaar based RuPay Card and BTM- Banking through Mobile - Banknet India
- 27. (c):** Mobile Money Identifier (MMID) is a seven-digit number, issued by banks for effecting financial transactions through the user's mobile phone.
- 28. (b):** NPCI has authorised share capital of Rs 300 crore
- 29. (d):** The paid-up capital of NPCI is Rs 137 crore



- **R. Gandhi Committee**- Govt Securities
- **MV Nair Committee**- Priority Sector Lending
- **YH Malegam Committee**- Licensing of new Urban Co-operative banks
- **Usha Thorat Committee**- NBFCs, Lead Bank Scheme
- **Shri Deepak Mohanty Committee**- BPLR (Benchmark Prime Lending Rate)
- **SS Tarapore Committee**- Fuller Capital Account Convertibility
- **HR Khan Committee**- Issues related to Rural Credit and Microfinance
- **Anand Sinha Committee**- Export Credit
- **Dr. Barman Committee**- Cheque Truncation and E-cheques
- **N Narasimham Committee**- On Rural Credit, Establishment of RRBs
- **Parekh Committee**- Infrastructure Financing
- **Rangarajan Committee**- Financial Inclusion, Public Sector Disinvestment, Computerization of Banking Industry
- **Gadgil Committee**- Lead Bank Scheme
- **A Ghosh Committee**- Fraud and malpractices in Banks
- **RK Hazare Committee**- Differential Interest Rates (DIR) Scheme
- **S Padmanabhan Committee**- To review the on-site supervision function of banks, Inspection of banks by the RBI
- **Abid Hussain Committee**: Related to Small Scale Industries
- **Arvind Mayaram Committee**: For defining clear definitions of Foreign Institutional Investment (FII) & Foreign Direct Investment (FDI).
- **Bhandari Committee**: For Reconstruction of RRBs
- **C Rangarajan committee**: For poverty scale estimates in the country
- **MBN Rao Committee**: For preparing the blueprint of India's first women's bank
- **Nachiket Mor Committee**: For comprehensive financial services for small businesses and low-income households.
- **Parthasarathi Shome committee**: For the implementation of GAAR (General Anti Avoidance Rule)
- **SN Verma Committee (1999)**: For Restructuring the Commercial Banks
- **Deepak Mohanty Committee**: on Data and Information Management in RBI.
- **P.J. Nayak**: to review Governance of Boards of Banks in India.
- **Nachiket Mor Committee**: to permit NBFCs to work as Business Correspondents of banks.
- **Bimal Jalan panel**: to scrutinize applications for new bank licenses.

Exercise

1. R. Gandhi Committee was recommended for
 - (a) Private Securities
 - (b) Govt Securities
 - (c) Commercial Securities
 - (d) Private Bonds
 - (e) None of these
2. MV Nair Committee was recommended for
 - (a) Foreign Sector Lending
 - (b) Private Sector Lending
 - (c) Public Sector Lending
 - (d) Priority Sector Lending
 - (e) None of these
3. YH Malegam Committee was recommended for
 - (a) Licensing of new Public Sector banks
 - (b) Licensing of new Rural Co-operative banks
 - (c) Licensing of new Urban Co-operative banks
 - (d) Licensing of new Private Sector banks
 - (e) None of these
4. Usha Thorat Committee was recommended for
 - (a) Foreign Investments
 - (b) NBFCs, Lead Bank Scheme
 - (c) Foreign Bank
 - (d) Foreign portfolio Investment
 - (e) None of these
5. Shri Deepak Mohanty Committee was recommended for
 - (a) BPLR (Benchmark Prime Lending Rate)
 - (b) the feasibility of capital account convertibility in India.
 - (c) Issues related to Rural Credit and Microfinance
 - (d) Export Credit
 - (e) Cheque Truncation and E-cheques
6. SS Tarapore Committee was formed by the Reserve Bank of India to study
 - (a) BPLR (Benchmark Prime Lending Rate)
 - (b) Cheque Truncation and E-cheques
 - (c) Issues related to Rural Credit and Microfinance
 - (d) The feasibility of capital account convertibility in India.
 - (e) None of these
7. HR Khan Committee was recommended for
 - (a) On Rural Credit, Establishment of RRBs
 - (b) Export Credit
 - (c) Issues related to Rural Credit and Microfinance
 - (d) BPLR (Benchmark Prime Lending Rate)
 - (e) Licensing of new Urban Co-operative banks
8. Anand Sinha Committee was recommended for
 - (a) Cheque Truncation and E-cheques
 - (b) Export Credit
 - (c) On Rural Credit, Establishment of RRBs
 - (d) BPLR (Benchmark Prime Lending Rate)
 - (e) Licensing of new Urban Co-operative banks
9. Dr. Barman Committee constituted for
 - (a) Public Sector Disinvestment
 - (b) Cheque Truncation and E-cheques
 - (c) Infrastructure Financing
 - (d) On Rural Credit, Establishment of RRBs
 - (e) None of these
10. N Narasimham Committee was recommended for
 - (a) On Rural Credit, Establishment of RRBs
 - (b) Public Sector Disinvestment,
 - (c) Export Credit
 - (d) Cheque Truncation and E-cheques
 - (e) Infrastructure Financing
11. Parekh Committee was established for
 - (a) Fraud and malpractices in Banks
 - (b) Lead Bank Scheme
 - (c) Infrastructure Financing
 - (d) Differential Interest Rates (DIR) Scheme
 - (e) None of these
12. Rangarajan Committee was established for
 - (a) Financial Inclusion
 - (b) Public Sector Disinvestment,
 - (c) Computerization of Banking Industry
 - (d) Only (a)&(c)
 - (e) Options (a),(b)&(c)
13. Gadgil Committee was constituted for
 - (a) Financial Inclusion
 - (b) Lead Bank Scheme
 - (c) Public Sector Disinvestment,
 - (d) Differential Interest Rates (DIR) Scheme
 - (e) None of these
14. A Ghosh Committee was recommended for
 - (a) Fraud and malpractices in Banks
 - (b) Financial Inclusion
 - (c) Public Sector Disinvestment,
 - (d) Differential Interest Rates (DIR) Scheme
 - (e) None of these
15. RK Hazare Committee was established for
 - (a) Lead Bank Scheme
 - (b) Public Sector Disinvestment,
 - (c) Differential Interest Rates (DIR) Scheme
 - (d) Fraud and malpractices in Banks
 - (e) Financial Inclusion
16. S Padmanabhan Committee was recommended for
 - (a) To review the on-site supervision function of banks
 - (b) Inspection of banks by the RBI
 - (c) Both (a)&(b)
 - (d) Only (a)
 - (e) Only(b)

- 17.** Abid Hussain Committee was formed
- defining clear definitions of Foreign Institutional Investment (FII) & Foreign Direct Investment (FDI).
 - Related to Small Scale Industries
 - Reconstruction of RRBs
 - Related to Small Scale Industries
 - Related to Small Scale Industries
- 18.** Arvind Mayaram Committee was established for
- Related to Small Scale Industries
 - Reconstruction of RRBs
 - Defining clear definitions of Foreign Institutional Investment (FII) & Foreign Direct Investment (FDI).
 - poverty scale estimates in the country
 - None of these
- 19.** Bhandari Committee was established for
- Preparing the blueprint of India's first women's bank
 - Reconstruction of RRBs
 - Related to Small Scale Industries
 - poverty scale estimates in the country
 - None of these
- 20.** C Rangarajan committee was recommended for
- preparing the blueprint of India's first women's bank
 - bank poverty scale estimates in the country
 - Related to Small Scale Industries
 - Defining clear definitions of Foreign Institutional Investment (FII) & Foreign Direct Investment (FDI).
 - None of these
- 21.** MBN Rao Committee was formed for
- comprehensive financial services for small businesses and low-income households.
 - the implementation of GAAR (General Anti Avoidance Rule)
 - preparing the blueprint of India's first women's bank
 - Defining clear definitions of Foreign Institutional Investment (FII) & Foreign Direct Investment (FDI).
 - None of these
- 22.** Nachiket Mor Committee was established for
- Defining clear definitions of Foreign Institutional Investment (FII) & Foreign Direct Investment (FDI)
 - the implementation of GAAR (General Anti Avoidance Rule)
 - Restructuring the Commercial Banks
 - comprehensive financial services for small businesses and low-income households.
- None of these
- 23.** Parthasarathi Shome committee was formed for
- Restructuring the Commercial Banks
 - Data and Information Management in RBI.
 - the implementation of GAAR (General Anti Avoidance Rule)
 - Defining clear definitions of Foreign Institutional Investment (FII) & Foreign Direct Investment (FDI).
 - None of these
- 24.** SN Verma Committee (1999) was constituted for
- Restructuring the Commercial Banks
 - Data and Information Management in RBI.
 - to review Governance of Boards of Banks in India.
 - Defining clear definitions of Foreign Institutional Investment (FII) & Foreign Direct Investment (FDI).
 - None of these
- 25.** Deepak Mohanty Committee was formed to study on
- To scrutinize applications for new bank licenses.
 - Data and Information Management in RBI.
 - to review Governance of Boards of Banks in India.
 - comprehensive financial services for small businesses and low-income households.
 - to permits NBFCs to work as Business Correspondents of banks.
- 26.** P.J. Nayak committee was constituted
- comprehensive financial services for small businesses and low-income households.
 - to scrutinize applications for new bank licenses.
 - Reconstruction of RRBs
 - to review Governance of Boards of Banks in India.
 - to permits NBFCs to work as Business Correspondents of banks.
- 27.** The Nachiket Mor Committee was formed to?
- to scrutinize applications for new bank licenses.
 - Reconstruction of RRBs
 - to permits NBFCs to work as Business Correspondents of banks.
 - comprehensive financial services for small businesses and low-income households.
 - None of these
- 28.** Bimal Jalan panel was constituted for which of the following purposes?
- to scrutinize applications for new bank licenses.
 - to permit NBFCs to work as Business Correspondents of banks.
 - Reconstruction of RRBs
 - comprehensive financial services for small businesses and low-income households.
 - None of these

Solutions

1. (b):
2. (d): The committee recommends allowing non-tradable priority sector lending certificates (PSLCs) on pilot basis with domestic scheduled commercial banks, foreign banks and regional rural banks as market players.
3. (c):
4. (b):
5. (a):
6. (d): The committee was set up to suggest a way/method for full convertibility of Rupee on Capital Account.
7. (c):
8. (b): Anand Sinha releases Draft Report on 'Pricing of Credit'; suggests Indian Banks Base Rate (IBBR)
9. (b):
10. (a):
11. (c): The committee was mandated to review existing policies and suggest necessary changes in the investment framework in the high-priority infrastructure sector
12. (e):
13. (b): Provision of some of the basic needs of the people who belong to poor sections of the society
14. (a): The RBI set up a High Level Committee on Frauds and Malpractices in Banks
15. (c): a scheme for extending financial assistance at concessional rate of interest @ 4% to selected low income groups for productive endeavours initially by public sector banks and then by private sector banks also .
16. (c): S Padmanabhan Committee recommended that Banking supervision should focus on the parameters of the Financial Soundness, Managerial and Operational Efficiency and firmness
17. (b):
18. (c): Foreign Direct Investment (FDI) and Foreign Institutional Investment (FII), with an aim to remove ambiguity over the two types of foreign investments.
19. (b): The Committee on Restructuring of RRBs, 1994 (Bhandari Committee) identified 49 RRBs for comprehensive restructuring. It recommended greater devolution of decision-making powers to the Boards of RRBs in the matters of business development and staff matters.
20. (b): The Expert Group under the Chairmanship of Dr. C. Rangarajan to Review the Methodology for Measurement of Poverty in the country constituted by the Planning Commission in June 2012 has submitted its report on 30th June 2014.
21. (c): M.B.N. Rao Committee. In Budget 2013-14 proposed to set-up India's First Women's Bank as a Public Sector Bank.
22. (d): Committee on Comprehensive Financial Services for Small Businesses and Low Income Households (commonly known as the Nachiket Mor Committee) was an expert committee formed by Raghuram Rajan on 23 September 2013, after he was appointed as the governor of the Reserve Bank of India (RBI). It was headed by Nachiket Mor.
23. (c): The Parthasarathy Shome panel was formed by PM of India in 2012, for drawing up the final guidelines on GAAR and mainly to bring about tax clarity and address the concerns of foreign investors.
24. (a):
25. (b): Deepak Mohanty Committee, a committee constituted by RBI to study on Medium term path on financial inclusion, had recommended for exploring a system of professional credit intermediaries / advisors for MSMEs
26. (d): The P J Nayak Committee or officially the Committee to Review Governance of Boards of Banks in India, was set up by the Reserve Bank of India (RBI) to review the governance of the board of banks in India.
27. (c):
28. (a):



World Bank

- It is a vital source of financial & technical assistance to developing countries around the world.
- It comprises five institutions managed by their member countries.
- It was established in 1944.
- It is headquartered in Washington, D.C.
- It is made up of 189-member countries.
- David Malpass is the 13th President of the World Bank Group.

The World Bank Group set two goals for the world to achieve by 2030:

- End extreme poverty by decreasing the percentage of people living on less than \$1.90 a day to no more than 3%.
- Promote shared prosperity by fostering the income growth of the bottom 40% for every country.

The World Bank is different from the World Bank Group, an extended family of five international organizations which are:

- **IBRD:** International Bank for Reconstruction and Development
- **IDA:** The International Development Association
- **IFC:** The International Finance Corporation
- **MIGA:** Multilateral Investment Guarantee Agency
- **ICSID:** International Centre for Settlement of Investment Disputes

Quick Facts

- **Formation:** July 1945
- **Headquarters:** Washington, D.C., U.S.

Membership

189 countries (IBRD) | 173 countries (IDA)

- David Malpass (President)
- Anshula Kant (MD and CFO)
- Carmen Reinhart (Chief Economist)

IMF: International Monetary Fund

- It was conceived at a UN conference in Bretton Woods, United States, in July 1944.
- **Membership: 190 countries**
- Headquarters: Washington, D.C.

Original aims:

- Promote international monetary cooperation.
- Facilitate the expansion and balanced growth of international trade.
- Promote exchange stability.
- Assist in the establishment of a multilateral system of payments.
- Make resources available (with adequate safeguards) to members experiencing balance of payments difficulties.
- The IMF's **fundamental mission** is to ensure the stability of the international monetary system.
- It does so in three ways: keeping track of the global economy and the economies of member countries; lending to countries with balance of payments difficulties; and giving practical help to members.

Surveillance

- The IMF oversees the international monetary system and monitors the economic and financial policies of its 189-member countries.

Lending

- A core responsibility of the IMF is to provide loans to member countries experiencing actual or potential balance of payments problems.

Management

- The IMF has a Managing Director, who is head of the staff and Chairperson of the Executive Board.
- The Managing Director is appointed by the Executive Board for a renewable term of five years.

Quick Facts

- **Headquarters:** Washington, D.C., United States
- **Managing Director:** Kristalina Georgieva
- **Founded:** 27 December 1945, Bretton Woods, Carroll, New Hampshire, United States
- **Formation:** 27 December 1945
- **Founders:** John Maynard Keynes, Harry Dexter White

IDA

What is IDA?

- International Development Association (IDA) is the part of the World Bank that helps the world's poorest countries.
- Overseen by 173 shareholder nations, IDA aims to reduce poverty by providing loans (called "credits") and grants for programs that boost economic growth, reduce inequalities, and improve people's living conditions.
- IDA complements the World Bank's original lending arm—the International Bank for Reconstruction and Development (IBRD).
- IDA is one of the largest sources of assistance for the world's 75 poorest countries, 39 of which are in Africa, and is the single largest source of donor funds for basic social services in these countries.
- IDA is a multi-issue institution, supporting a range of development activities that pave the way toward equality, economic growth, job creation, higher incomes, and better living conditions.

Quick Facts

- **Headquarters:** Washington, D.C., United States
- **Membership:** 173 countries
- **Founded:** 1960
- **Leader:** Kristalina Georgieva
- **Purposes:** Development aid, Poverty reduction

ADB

Introduction

- It was conceived in the early 1960s as a financial institution that would be Asian in character and foster economic growth and cooperation in one of the poorest regions in the world.
- The Philippines capital of Manila was chosen to host the new institution, which opened on 19 December 1966, with 31 members that came together to serve a predominantly agricultural region.
- Takeshi Watanabe was ADB's first President.
- During the 1960s, ADB focused much of its assistance on food production and rural development.
- From 31 members at its establishment in 1966, ADB has grown to encompass 68 members—of which 49 are from within Asia and the Pacific and 19 outside.

About ADB

- It was established as a financial institution that would foster economic growth and cooperation in the Asia-Pacific region.
- It assists its members and partners by providing loans, technical assistance, grants, and equity investments to promote social and economic development.
- **Headquarters:** Manila, Philippines

Quick Facts

- **Formation:** 19 December 1966
- **Headquarters:** Manila, Philippines
- **Membership:** 68 countries
- **President:** Masatsugu Asakawa

New Development Bank

- At the fourth BRICS Summit in New Delhi (2012), the leaders of Brazil, Russia, India, China and South Africa considered the possibility of setting up a **New Development Bank** to mobilize resources for infrastructure and sustainable development projects in BRICS and other emerging economies, as well as in developing countries.
- The leaders then agreed on the feasibility of establishing the New Development Bank and made the decision to do so.
- During the sixth BRICS Summit in Fortaleza (2014), the leaders signed the Agreement establishing the New Development Bank (NDB).
- NDB will strengthen cooperation among BRICS and will supplement the efforts of multilateral and regional financial institutions for global development, thus contributing to collective commitments for achieving the goal of strong, sustainable and balanced growth.
- “The Bank shall have an initial authorized capital of US\$ 100 billion. The initial subscribed capital shall be US\$ 50 billion, equally shared among founding members.
- The first chair of the Board of Governors shall be from Russia.
- The first chair of the Board of Directors shall be from Brazil.
- The first President of the Bank shall be from India.
- The headquarters of the Bank shall be located in Shanghai.
- The inaugural meeting of the Board of Governors of the NDB was chaired by Russia and held on the eve of the Ufa Summit on 7 July 2015, when the Bank formally came into existence as a legal entity.
- During the meeting, the appointment of the President, Mr. K.V. Kamath, as well as four Vice Presidents and the Board of Directors took place.
- At the signing of the Headquarters Agreement with the government of the People’s Republic of China and the Memorandum of Understanding with the Shanghai Municipal People’s Government on 27 February 2016, the NDB became fully operational.

Countries by Shareholding at the New Development Bank

COUNTRY	NUMBER OF SHARES	SHARE HOLDING (% OF TOTAL)	VOTING RIGHTS (% OF TOTAL)
 BRAZIL	100,000	20	20
 RUSSIA	100,000	20	20
 INDIA	100,000	20	20
 CHINA	100,000	20	20
 SOUTH AFRICA	100,000	20	20
UNALLOCATED SHARES	500,000	–	–
GRAND TOTAL	1000,000	100	100

Quick Facts

- The New Development Bank, formerly referred to as the BRICS Development Bank, is a multilateral development bank established by the BRICS states. Headquarters: Shanghai, China
- **President:** Marcos Prado Troyjo
- **Founder:** BRICS
- **First president:** K. V. Kamath

AIIB

- The Asian Infrastructure Investment Bank (AIIB) is a multilateral development bank with a mission to improve social and economic outcomes in Asia and beyond.
- It is headquartered in Beijing.
- It commenced operations in January 2016.
- AIIB offers sovereign and non-sovereign financing for sound and sustainable projects in energy and power, transportation and telecommunications, rural infrastructure and agriculture development, water supply and sanitation, environmental protection, and urban development and logistics.

Quick Facts

- The Asian Infrastructure Investment Bank is a multilateral development bank that aims to support the building of infrastructure in the Asia-Pacific region.
- **Headquarters:** Beijing, China
- **Membership:** 104 Members; 17 prospective members
- **Formation:** January 16, 2016
- **President:** Jin Liqun

Exercise

- World Bank has come into existence on
 - 1945
 - 1944
 - 1966
 - 1990
 - None of these
- Headquarter of World Bank is situated at:
 - New York
 - Singapore
 - Geneva
 - Washington D.C.
 - None of these
- Member countries of 'World Bank' are
 - 180
 - 170
 - 189
 - 199
 - 198
- At World Bank, the president is selected by the board of executive directors for a ___ year, renewable term
 - 4 years
 - 5 Years
 - 6 years
 - 2 years
 - None of these
- The World Bank Group is made up of how many organizations?
 - Five
 - Four
 - Two
 - Three
 - None of these
- Which organisation of the World Bank Group deals with matters related to the development of the poorest countries in the world?
 - Asian Infrastructure Investment Bank
 - International Bank for Reconstruction and Development
 - International Monetary Fund
 - The International Development Association
 - Asian Development Bank
- International Bank for Reconstruction and Development was established in
 - 1945
 - 1950
 - 1944
 - 1943
 - 1990
- Wing of World Bank Group which provides loans to developing countries with low income is
 - The International Development Association
 - International Bank for Reconstruction and Development
 - International Monetary Fund
 - Asian Development Bank
 - none of these
- Currently how many members are in the IBRD?
 - 190
 - 189
 - 198
 - 200
 - 156
- International Development Association was formulated in
 - 1960
 - 1955
 - 1945
 - 1944
 - None of these
- When was the IMF established?
 - July 27, 1945
 - June 25, 1945
 - Dec. 27, 1945
 - Dec 25, 1944
 - None of these
- International Monetary Fund is headquartered in
 - New York
 - Singapore
 - Geneva
 - Washington, United States
 - None of these

- 13.** How many countries are members of the IMF?
 (a) 190 (b) 189
 (c) 195 (d) 156
 (e) 198
- 14.** What qualifies a member to apply for the fund from the IMF?
 (a) Temporary Balance of Payment Problems
 (b) SWIFT
 (c) Automation and Digitalization of the International Payment System
 (d) Documentary Collections
 (e) None of these
- 15.** In which year Asian Development Bank (ADB) was founded?
 (a) 1999 (b) 1976
 (c) 1966 (d) 1999
 (e) 2016
- 16.** How many members are there in Asian Development Bank (ADB)?
 (a) 65 (b) 68
 (c) 198 (d) 67
 (e) None of these
- 17.** Where is the headquarters of the ADB?
 (a) Beijing (b) Manila
 (c) Mumbai (d) Kathmandu
 (e) None of these
- 18.** Where is the headquarters of BRICS New Development Bank situated?
 (a) Frankfurt, Germany (b) Baku, Azerbaijan
 (c) Shanghai, China (d) Yokohama, Japan
 (e) None of these
- 19.** During which BRICS summit a document for establishment of a bank was signed?
 (a) Ministerial Conference of WTO
 (b) Fortaleza summit
 (c) APEC Summit
 (d) World Economic Forum
 (e) None of these
- 20.** What is the initial authorized capital of NDB?
 (a) US\$ 10 billion. (b) US\$ 100 billion.
 (c) US\$ 500 billion. (d) US\$ 50 billion.
 (e) None of these
- 21.** What is the initial subscribed capital of NDB?
 (a) US\$ 500 billion (b) US\$ 10 billion.
 (c) US\$ 50 billion. (d) US\$ 100 billion.
 (e) None of these
- 22.** The first chair of the Board of Governors of the New Development Bank was from
 (a) China (b) Brazil
 (c) India (d) Russia
 (e) South Africa
- 23.** The first chair of the Board of Directors of the New Development Bank was from
 (a) India (b) Russia
 (c) Brazil (d) China
 (e) South Africa
- 24.** What is the full form of AIIB?
 (a) Asian infrastructure investment bank
 (b) Asia India investment bank
 (c) Asian infrastructure Indian bank
 (d) Asian infrastructure investment board
 (e) Asian infra investment bank
- 25.** Where is the headquarters of AIIB?
 (a) New Delhi (b) Beijing
 (c) Mumbai (d) Manilla
 (e) Jakarta
- 26.** What is the capital of AIIB?
 (a) \$200 billion (b) \$500 billion
 (c) \$10 billion (d) \$100 billion
 (e) \$300 billion
- 27.** When did the Asia Infrastructure Investment Bank (AIIB) start operations?
 (a) 2010 (b) 2015
 (c) 2016 (d) 1945
 (e) None of these
- 28.** Which country is the largest shareholder in Asia Infrastructure Investment Bank (AIIB)?
 (a) China (b) India
 (c) Brazil (d) Russia
 (e) japan
- 29.** Total members of AIIB is
 (a) 64 (b) 86
 (c) 94 (d) 101
 (e) 104

Solutions

1. **(b):** Founded in 1944 at the UN Monetary and Financial Conference (commonly known as the Bretton Woods Conference), which was convened to establish a new, post-World War II international economic system, the **World Bank** officially began operations in June 1946.
2. **(d):** The **headquarters** of the **World Bank** is **situated** in Washington DC, United States. The agency is a financial institution that avails loans to nations for development.
3. **(c):** There are 189 member countries that are shareholders in the IBRD, the primary arm of the WBG.
4. **(b):** The World Bank Group **President** chairs meetings of the **Boards of Directors** and is responsible for overall management of the Bank. **The President is selected by the Board of Executive Directors** for a five-year, renewable term. The **Executive Directors** make up the **Boards of Directors** of the World Bank.
5. **(a):** The World Bank Group comprises five constituent institutions: the International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA), the International Finance Corporation (IFC), the Multilateral Investment Guarantee Agency (MIGA), and the International Centre for Settlement of Investment Disputes (ICSID).
6. **(d):** The International Development Association (IDA) is the part of the World Bank that helps the world's poorest countries.
7. **(c):** The International Bank for Reconstruction and Development (IBRD) was created in **1944** to help Europe rebuild after World War II.
8. **(b):** The International **Bank** for Reconstruction and **Development** (IBRD) lends to governments of middle-**income** and creditworthy **low-income** countries.
9. **(b):** There are 189 member countries that are shareholders in the IBRD, the primary arm of the WBG
10. **(a):** It was established in 1960 to complement the existing **International** Bank for Reconstruction and **Development** by lending to developing countries which suffer from the lowest gross national income, from troubled creditworthiness, or from the lowest per capita income.
11. **(c):** Established in 1945, the IMF is governed by and accountable to the 189 countries that make up its near-global membership.
12. **(d):** The International Monetary Fund (IMF) is an international organization. 189 countries are members of the International Monetary Fund. It has its headquarters in **Washington, D.C., USA**.
13. **(a):** The International Monetary Fund (IMF) is an international organization. 190 countries are members of the International Monetary Fund.
14. **(a):** IMF assistance has been provided to address short-term or potential balance of payments problems.
15. **(c):** The ADB was started on 19 December 1966, with 31 members that came together to serve a predominantly agricultural region. Takeshi Watanabe was ADB's first President.
16. **(b):** ADB has 68 members (as of 23 March 2019): 49 members from the Asian and Pacific Region, 19 members from Other Regions.
17. **(b):** The headquarters of the bank is at 6 ADB Avenue, **Mandaluyong**, Metro Manila, Philippines, and it has 31 field offices in Asia and the Pacific and representative offices in Washington, Frankfurt, Tokyo and Sydney.
18. **(c):** **BRICS** (Brazil, Russia, India, China, South Africa) **headquarter** is situated at Shanghai, China.
19. **(b):** Proposed to establish the BRICS Network University recognizing the strategic importance of education for sustainable development and inclusive economic growth Agreement for establishing the New Development Bank (NDB) with 100 billion US dollars
20. **(b):** The **initial authorized capital** of the bank is \$100 billion divided into 1 million **shares** having a par value of \$100,000 each.
21. **(c):** The **initial subscribed capital** of the **NDB** is \$50 billion divided into paid-in shares (\$10 billion) and callable shares (\$40 billion).
22. **(d):**
23. **(c):**

24. (a): The **Asian Infrastructure Investment Bank (AIIB)** is a multilateral development bank that aims to support the building of infrastructure in the Asia-Pacific region.

25. (b): The Asian Infrastructure Investment Bank (AIIB) is a multilateral development bank headquartered in Beijing.

26. (d): The AIIB's initial total capital is \$100 billion, with 20% paid-in and 80% callable.

27. (c): The **Asian Infrastructure Investment Bank (AIIB)** is a new international **development bank** that provides financing for **infrastructure** projects in **Asia**. It began **operations** in January 2016

28. (a): China is contributing \$50 billion, half of the initial subscribed capital. India is the second-largest shareholder, contributing \$8.4 billion.

29. (e): The bank currently has 104 members, including 17 prospective members from around the world.



Chapter 29

Headquarters and Taglines of Public Sector Banks (PSBs)

SL. No.	PSBs	Headquarters	Taglines	Head
1.	Bank of Baroda	Mumbai	India's International Bank	Sanjiv Chadha
2.	Bank of India	Mumbai	Relationship Beyond Banking	Shri Atanu Kumar Das
3.	Bank of Maharashtra	Pune	One Family One Bank	A. S. Rajeev
4.	Central Bank of India	Mumbai	"Central" to You Since 1911	M. V. Rao
5.	Canara Bank	Bengaluru	Together We Can	Lingam Venkat Prabhakar
6.	Indian Bank	Chennai	Your Own Bank	Shanti Lal Jain
7.	Indian Overseas Bank	Chennai	Good People to Grow With	Partha Pratim Sengupta
8.	Punjab National Bank	New Delhi	The Name You Can Bank Upon	S. S. Mallikarjuna Rao
9.	Punjab and Sind Bank	New Delhi	Where Service is a Way of Life	S Krishnan
10.	Union Bank of India	Mumbai	Good People to Bank With	Rajkiran Rai G
11.	UCO Bank	Kolkata	Honours Your Trust	Atul Kumar Goel
12.	State Bank of India	Mumbai	The Banker to every Indian	Dinesh Kumar Khara

Exercise

- | | |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>1. What is the Tagline of Bank of Baroda?
 (a) India's International Bank
 (b) One Family One Bank
 (c) Together We Can
 (d) The Name You Can Bank Upon
 (e) None of these</p> <p>2. Where is the headquarters of the Bank of India ?
 (a) Mumbai (b) Pune
 (c) Bengaluru (d) New Delhi
 (e) None of these</p> <p>3. What is the Tagline of Bank of Maharashtra?
 (a) Good People to Grow With
 (b) Honours Your Trust
 (c) One Family One Bank
 (d) The Banker to every Indian
 (e) None of these</p> <p>4. Who is the head of Bank of India?
 (a) A. S. Rajeev
 (b) Shri Atanu Kumar Das
 (c) Lingam Venkat Prabhakar
 (d) S. S. Mallikarjuna Rao
 (e) None of these</p> <p>5. What is the Tagline of Punjab National Bank?
 (a) Good People to Bank With
 (b) Honours Your Trust
 (c) The Banker to every Indian
 (d) The Name You Can Bank Upon
 (e) None of these</p> | <p>6. Who is the head of Punjab and Sind Bank?
 (a) S Krishnan (b) Sanjiv Chadha
 (c) M. V. Rao (d) S. S. Mallikarjuna Rao
 (e) None of these</p> <p>7. What is the Tagline of UCO Bank?
 (a) Where Service is a Way of Life
 (b) Honours Your Trust
 (c) Your Own Bank
 (d) Relationship Beyond Banking
 (e) None of these</p> <p>8. Where is the headquarters of Indian Overseas Bank ?
 (a) New Delhi (b) Chennai
 (c) Mumbai (d) Bengaluru
 (e) None of these</p> <p>9. Who is the head of UCO Bank?
 (a) Partha Pratim Sengupta
 (b) M. V. Rao
 (c) Dinesh Kumar Khara
 (d) Atul Kumar Goel
 (e) None of these</p> <p>10. What is the Tagline of State Bank of India?
 (a) Where Service is a Way of Life
 (b) Honours Your Trust
 (c) Your Own Bank
 (d) Relationship Beyond Banking
 (e) The Banker to every Indian</p> |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

Solutions

- | | | | | | |
|---------|---------|---------|----------|---------|---------|
| 1. (a): | 2. (a): | 3. (c): | 7. (b): | 8. (b): | 9. (d): |
| 4. (b): | 5. (d): | 6. (a): | 10. (e): | | |



What is Non-performing assets?

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

When an asset of the Bank becomes an NPA?

With effect from March 31, 2004, a non-performing asset (NPA) shall be a loan or an advance where:

- interest and/ or instalment of principal remains overdue for a period of more than 90 days in respect of a term loan.
- The account remains 'out of order' for a period of more than 90 days, in respect of an Overdraft/Cash Credit (OD/CC).
- the bill remains overdue for a period of more than 90 days in the case of bills purchased and discounted.
- interest and/or instalment of principal remains overdue for two harvest seasons but for a period not exceeding two half years in the case of an advance granted for agricultural purposes.
- any amount to be received remains overdue for a period of more than 90 days in respect of other accounts.
- the instalment of principal or interest thereon remains overdue for two crop seasons for short duration crops,
- the instalment of principal or interest thereon remains overdue for one crop season for long duration crops,

'Out of Order' status

- An account should be treated as 'out of order' if the outstanding balance remains continuously in excess of the sanctioned limit/drawing power.
- In cases where the outstanding balance in the principal operating account is less than the sanctioned limit/drawing power, but there are no credits continuously for six months as on the date of Balance Sheet or credits are not enough to cover the interest debited during the same period, these accounts should be treated as 'out of order'.

ASSET CLASSIFICATION | Categories of NPAs

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

- Sub-standard Assets
- Doubtful Assets
- Loss Assets

Sub-standard Assets

With effect from March 31, 2005, a sub standard asset would be one, which has remained NPA for a period less than or equal to 12 months.

Doubtful Assets

With effect from March 31, 2005, an asset would be classified as doubtful if it has remained in the substandard category for a period of 12 months. A loan classified as doubtful has all the weaknesses inherent in assets that were classified as sub standard, with the added characteristic that the weaknesses make collection or liquidation in full, – on the basis of currently known facts, conditions and values – highly questionable and improbable.

Loss Assets

- A loss asset is one where loss has been identified by the bank or internal or external auditors or the RBI inspection but the amount has not been written off wholly.
- Such an asset is considered uncollectible and of such little value that its continuance as a bankable asset is not warranted although there may be some salvage or recovery value.

Important Key Concepts

- Fully Secured: When the amounts due to a bank (present value of principal and interest receivable as per restructured loan terms) are fully covered by the value of security, duly charged in its favour in respect of those dues, the bank's dues are considered to be fully secured.
- Restructured Accounts: A restructured account is one where the bank, for economic or legal reasons relating to the borrower's financial difficulty, grants to the borrower concessions that the bank would not otherwise consider. Restructuring would normally involve modification of terms of the advances / securities, which would generally include, among others, alteration of repayment period / repayable amount/ the amount of instalments / rate of interest (due to reasons other than competitive reasons).

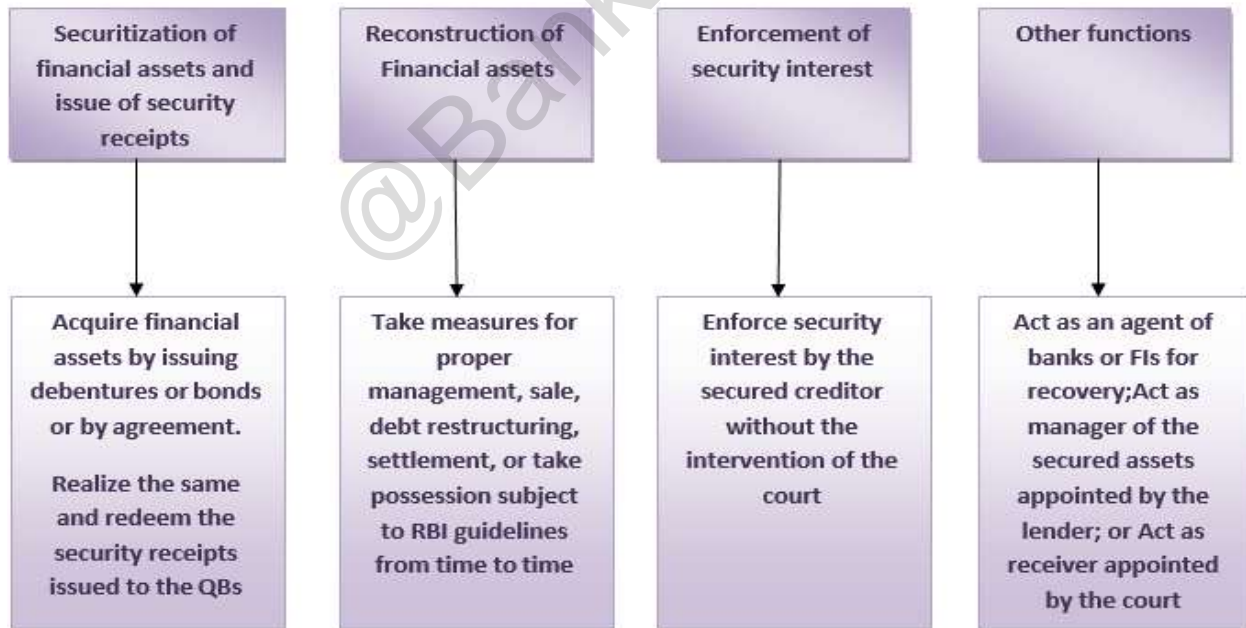
SARFAESI ACT 2002

- Narasimham Committee I and II & Andhyarujina Committee constituted by the Central Government for the purpose of examining banking sector reforms considered the need for changes in the legal system in respect of these areas.
- These Committees made suggestions to form a new legislation for securitization and empowering banks and financial institutions to gain possession of the securities and to sell them without any intervention of the court.

Formation of SARFAESI Act, 2002

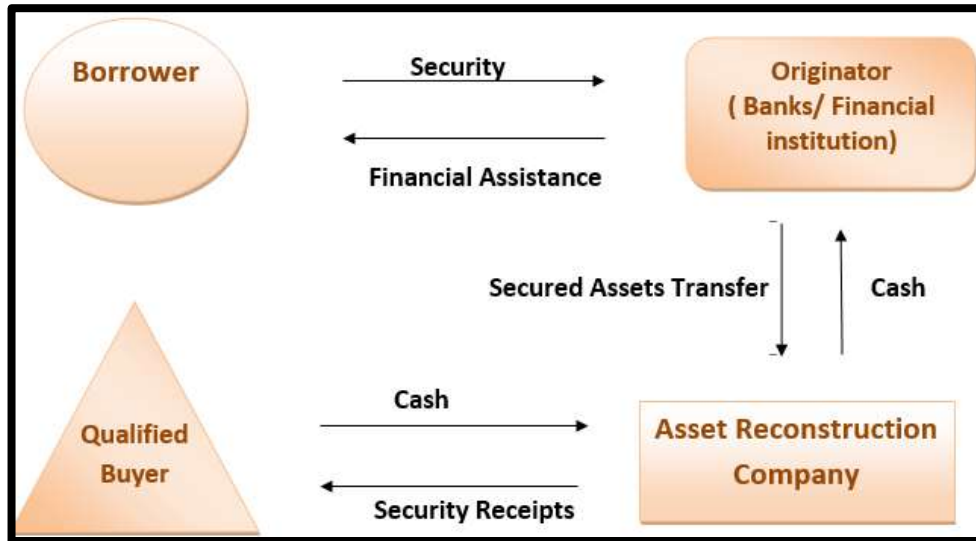
- Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002(SARFAESI) was circulated:
 - (a) to regulate securitization and reconstruction of financial assets
 - (b) enforcement of the security interest
 - (c) for matters connected therewith or incidental thereto.

Role of SARFAESI Act, 2002



Objectives of SARFAESI Act, 2002

- Efficient or rapid recovery of non-performing assets (NPAs) of the banks and FIs.
- Allows banks and financial institutions to auction properties (say, commercial/residential) when borrower fail to repay their loans.
- The process to be followed:



Applicability of SARFAESI Act, 2002

- Registration and regulation of Asset Reconstruction Companies (ARCs) by the Reserve Bank of India;
- Facilitating securitization of financial assets of banks and financial institutions with or without the benefit of underlying securities;
- Promotion of seamless transferability of financial assets by the ARC to acquire financial assets of banks and financial institutions through the issuance of debentures or bonds or any other security as a debenture;
- Entrusting the Asset Reconstruction Companies to raise funds by issue of security receipts to qualified buyers;
- Facilitating the reconstruction of financial assets which are acquired while exercising powers of enforcement of securities or change of management or other powers which are proposed to be conferred on the banks and financial institutions;
- Presentation of any securitization company or asset reconstruction company registered with the Reserve Bank of India as a public financial institution;
- Defining 'security interest' to be any type of security including mortgage and charge on immovable properties given for due repayment of any financial assistance given by any bank or financial institution;
- Classification of the borrower's account as a non-performing asset in accordance with the directions given or under guidelines issued by the Reserve Bank of India from time to time;
- The officers authorized will exercise the rights of a secured creditor in this behalf in accordance with the rules made by the Central Government;
- An appeal against the action of any bank or financial institution to the concerned Debts Recovery Tribunal and a second appeal to the Appellate Debts Recovery Tribunal;
- The Central Government may set up or cause to be set up a Central Registry for the purpose of registration of transactions relating to securitization, asset reconstruction and creation of security interest;
- Application of the proposed legislation initially to banks and financial institutions and empowerment of the Central Government to extend the application of the proposed legislation to non-banking financial companies and other entities;
- Non-application of the proposed legislation to security interests in agricultural lands, loans less than rupees one lakh and cases where eighty percent, of the loans, is repaid by the borrower.

Exercise

1. Which Act was framed specially to deal with Non-Performing Assets (NPA) ?
 (a) SARFAESI Act, 2002
 (b) Public Debt Act
 (c) Contingency Fund of India Act
 (d) Securities Contract Act
 (e) None of these
2. A term loan is said to be non performing when interest and/ or installment of principal remain overdue for a period of more than _____.
 (a) 120 days (b) 30 days
 (c) 90 days (d) 365 days
 (e) 60days
3. An account should be treated as _____ if the outstanding balance remains continuously in excess of the sanctioned limit/drawing power.
 (a) Past due (b) Out of stock
 (c) overdue (d) out of order
 (e) None of these
4. A sub standard asset is one, which has remained NPA for a period less than or equal to _____.
 (a) 6 months (b) 12 months
 (c) 8 months (d) 24 months
 (e) None of these
5. An asset is classified as doubtful if it has remained in the sub standard category for a period of _____.
 (a) 18 months (b) 12 months
 (c) 8 months (d) 24 months
 (e) None of these
6. A _____ is one where loss has been identified by the bank or internal or external auditors or the RBI inspection but the amount has not been written off wholly.
 (a) Loss Asset (b) Profit assets
 (c) Deferred assets (d) Fixed assets
 (e) None of these
7. _____ is one where the bank, for economic or legal reasons relating to the borrower's financial difficulty, grants to the borrower concessions that the bank would not otherwise consider.
 (a) Savings account (b) Syndicated account
 (c) Restructured account (d) Current account
 (e) None of these
8. Any loan for short duration crops is classified as NPA when the installment of principal or interest thereon remains overdue for ____ crop seasons
 (a) Two (b) Three
 (c) Four (d) One
 (e) None of these
9. Any loan for long duration crops is classified as NPA when the installment of principal or interest thereon remains overdue for ____ crop seasons
 (a) Four (b) Two
 (c) Three (d) One
 (e) None of these
10. Non-performing loans are also known as-
 (a) Secured loans (b) Normal loans
 (c) Bad Loans (d) Loans accepted with return
 (e) None of these
11. Expand the term SARFAESI Act-
 (a) Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest
 (b) Security and Reconstruction of Financial Assets and Enforcement of Security Interest
 (c) Securitisation and Reconstruction of Fixed Assets and Enforcement of Security Interest
 (d) Securitisation and Reconstruction of Financial Assets and Enforcement of Security India
 (e) None of these
12. An Asset Reconstruction Company (ARC) in India is associated with-
 (a) Financial assets (b) Fixed assets
 (c) Capital assets (d) NPA
 (e) None of these
13. Under the provision of SARFAESI Act 2002, where a transaction of securitisation is registered:
 (a) Registrar of Central Registry
 (b) State Bank of India Act
 (c) Life Insurance Corporation Act
 (d) Securities Contract Act
 (e) None of these
14. In the process of securitisation the non-liquid financial assets (NPA) are converted into markable securities in the form of:
 (a) Secured receipts (b) Deposit receipts
 (c) security receipts (d) Unsecured receipts
 (e) None of these
15. SARFAESI Act 2002 is mainly related to _____
 (a) Recovery of bad loans (b) Banking Rules
 (c) Financial market (d) Capital market
 (e) None of these

16. Registration and regulation of Asset Reconstruction Companies (ARCs) by
 (a) Government of India (b) Reserve Bank of India
 (c) Finance ministry (d) IRDA
 (e) None of these

17. The secured creditor has given a notice in writing to the borrower to discharge his liabilities within _____ days from the date of receipt of such notice.
 (a) 120 days (b) 30 days
 (c) 50 days (d) 60 days
 (e) 90 days

Solutions

1. **(a):** 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.
2. **(c):** A term loan account will become NPA if interest and / or installment of principal remain overdue for a period of more than 90 days.
3. **(d):** An account should be treated as out of order if the outstanding balance remains continuously in excess of the sanctional limits/drawing power and in case where the outstanding balance in the principal operating account is less than the sanctional limit/drawing power but there are no credits continuously for 90 days as on the date of balance sheet or credits are not enough to cover the interest debited during the same period.
4. **(b):** A sub-standard asset would be one, which has remained NPA for a period less than or equal to 12 months.
5. **(b):** An asset would be classified as doubtful if it has remained in the substandard category for a period of more than 12 months
6. **(a):** Loss assets are usually defined as loans advanced by Banks/financial institutions which are doubtful and have been declared as not recoverable by the Auditors of the Bank or by the Central Bank Auditors/inspectors.
7. **(c):**
8. **(a):** A loan granted for short duration crops will be treated as NPA, if the installment of principal or interest thereon remains overdue for two crop seasons.

9. **(d):** A loan granted for long duration crops will be treated as NPA, if the instalment of principal or interest thereon remains overdue for one crop season.
10. **(c):** Non-performing loans are generally considered bad debt because the chances of them getting paid back are minimal.
11. **(a):** Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest
12. **(d):** An Asset Reconstruction Company is a specialized financial institution that buys the NPAs or bad assets from banks and financial institutions so that the latter can clean up their balance sheets. Or in other words, ARCs are in the business of buying bad loans from banks
13. **(a):**
14. **(c):** Securitization: It refers to the process of drawing and converting of loans and other financial assets into marketable securities worth selling to the investors.
15. **(a):** It allows banks and other financial institution to auction residential or commercial properties (of Defaulter) to recover loans.
16. **(b):** The asset reconstruction companies or ARCs are registered under the RBI and regulated under the Securitisation and Reconstruction of Financial Assets and Enforcement of Securities Interest Act, 2002 (SARFAESI Act, 2002).Nov
17. **(d):** After classifying the borrower's account as NPA, the secured creditor must furnish a written demand notice to the borrower to discharge its liabilities within sixty (60) days.



What are Shares & Debentures?

- **Shares** refers to the share capital of the company. It describes the right of the holder to the specified amount of the share capital of the company.
- **Debenture** implies a long-term instrument showing the debt of the company towards the external party. It yields a definite rate of interest, issued by the company, may or may not be secured against assets.

What actually Shares are?

- Smallest division of the company's capital is known as shares. It represents the portion of ownership of the shareholder in the company.
- The tiniest part of the company capital is known as a Share.
- The shares are broadly divided into two major categories: Equity Shares & Preference Shares.

What actually Debentures are?

- A long-term debt instrument issued by the company under its common seal, to the holder showing the indebtedness of the company. The capital raised by the company is the borrowed capital; that is why the debenture holders are the creditors of the company.
- They are freely transferable. The return on debentures is in the form of interest at a fixed rate.
- Debentures are secured by a charge on assets, although unsecured debentures can also be issued. They do not carry voting rights.
- The debentures are of following types:
 1. Secured Debentures
 2. Unsecured Debentures
 3. Convertible Debentures
 4. Non-convertible Debentures

Difference Between Shares & Debentures

BASIS	SHARES	DEBENTURES
Meaning	Shares are the owned funds of the company.	Debentures are the borrowed funds of the company.
What is it?	Shares represent the capital of the company.	Debentures represent the debt of the company.
Holder	The holder of shares is known as shareholder.	The holder of debentures is known as debenture holder.
Status of Holders	Owners	Creditors
Form of Return	Shareholders get the dividend.	Debenture holders get the interest.
Payment of return	Dividend can be paid to shareholders only out of profits.	Interest can be paid to debenture holders even if there is no profit.
Voting Rights	The holders of shares have voting rights.	The holders of debentures do not have any voting rights.
Conversion	Shares can never be converted into debentures.	Debentures can be converted into shares.
Repayment in the event of winding up	Shares are repaid after the payment of all the liabilities.	Debentures get priority over shares, and so they are repaid before shares.

Equity Share & Preference Share

- **Equity Shares:** These are the shares which carry voting rights & on which the rate of dividend is not fixed. They are irredeemable in nature. In case of winding up of the company equity shares are repaid after the payment of all the liabilities.
- **Preference Shares:** These are the shares which do not carry voting rights, but the rate of dividend is fixed. They are redeemable in nature. In case of winding up of the company, preference shares are repaid before equity shares.

Difference Between Equity & Preference Shares

BASIS	EQUITY SHARES	PREFERENCE SHARES
Meaning	These are the ordinary shares of the company representing the part ownership of the shareholder in the company.	These are the shares that carry preferential rights on the matters of payment of dividend and repayment of capital.
Payment of dividend	The dividend is paid after the payment of all liabilities.	Priority in payment of dividend over equity shareholders.
Repayment of capital	In the event of winding up of the company, equity shares are repaid at the end.	In the event of winding up of the company, preference shares are repaid before equity shares.
Rate of dividend	Fluctuating	Fixed
Redemption	No	Yes
Voting rights	Equity shares carry voting rights.	Normally, preference shares do not carry voting rights. However, in special circumstances, they get voting rights.
Convertibility	Equity shares can never be converted.	Preference shares can be converted into equity shares.

What are Deferred shares & Bonus Shares?

- **Deferred shares:** These shares are those shares which are held by the founders or pioneers or beginners of the company. They are also called Founder shares or Management shares.
- In deferred shares, the right to share profits of the company is deferred, i.e. postponed till all the other shareholders receive their normal dividends.
- **Bonus shares:** Bonus shares are those shares which are issued by the company free of charge as bonus to the shareholders. They are issued to the existing shareholders in proportion to their existing share holdings. It is a kind of gift to the shareholders from the company.

Let's talk about the Share Capital

- **AUTHORIZED SHARE CAPITAL:** It is the maximum amount of capital which can be issued by a company. It can be increased from time to time.
- **ISSUED SHARE CAPITAL:** It is that part of authorized capital which is offered to investors.
- **SUBSCRIBED SHARE CAPITAL:** It is that part of Issued capital which is accepted and agreed by the investor.
- **PAID UP CAPITAL:** It is the part of subscribed capital, the amount of which is paid by the investor. Normally, all companies accept complete money in one shot and therefore issued, subscribed and paid capital becomes one and the same. Conceptually, paid up capital is the amount of money which is actually invested in the business.

Exercise

1. Which of the following describe the right to hold the specified amount of the share capital of the company and ownership of company?
 - (a) Debentures
 - (b) Bonds
 - (c) Shares
 - (d) Creditors
 - (e) None of these
2. Which is a long-term instrument showing the debt of the company towards the external party. It yields a definite rate of interest, issued by the company, may or may not be secured against assets?
 - (a) Preference share
 - (b) Equity shares
 - (c) Shares
 - (d) Debentures
 - (e) None of these
3. The shares are broadly divided into two major categories are
 - (a) Equity Shares
 - (b) Preference Shares
 - (c) Debentures
 - (d) Bonds
 - (e) Both option (a) and (b)
4. Own funds are called _____.
 - (a) Debentures
 - (b) Share capital
 - (c) Bonds
 - (d) Loan
 - (e) None of these
5. Shareholders are _____.
 - (a) Owners
 - (b) Creditors
 - (c) Lenders
 - (d) Debtors
 - (e) None of these
6. Debenture holders are _____.
 - (a) Shareholders
 - (b) Owners
 - (c) Debtors
 - (d) Creditors
 - (e) None of these
7. Return paid on shares is called as
 - (a) Share
 - (b) Interest
 - (c) Dividend
 - (d) Capital
 - (e) None of these
8. Return paid on debentures is _____.
 - (a) Dividend
 - (b) Interest
 - (c) Shares
 - (d) Equity
 - (e) None of these
9. Debentures payable to a holder of certificate is called _____.
 - (a) Certificate of deposit
 - (b) Bearer
 - (c) Commercial paper
 - (d) Bond papers
 - (e) None of these
10. Debentures payable to person whose name appears both on Debenture Certificate and company's register is called _____.
 - (a) Registered
 - (b) Authorized
 - (c) Ownership
 - (d) Debtors
 - (e) None of these
11. Debentures which have the charge on the property of the company is _____.
 - (a) Risky assets
 - (b) Unsecured
 - (c) Secured
 - (d) Unsafe
 - (e) None of these
12. For the purpose of debt equity ratio Fully Convertible Debentures are classified as _____.
 - (a) Liabilities
 - (b) Preference
 - (c) Bonds
 - (d) Equity
 - (e) None of these
13. In case of Partly Convertible Debentures non-convertible portion is classified as _____.
 - (a) Creditors
 - (b) Debt
 - (c) Owner
 - (d) liability
 - (e) None of these
14. Which of the following is the shares which carry voting rights & on which the rate of dividend is not fixed?
 - (a) Equity shares
 - (b) Preference Shares
 - (c) Deferred shares
 - (d) Bonus shares
 - (e) None of these
15. These are the shares which do not carry voting rights, but the rate of dividend is fixed. They are redeemable in nature
 - (a) Deferred shares
 - (b) Equity shares
 - (c) Preference Shares
 - (d) Bonus shares
 - (e) None of these
16. Which of the following shares are those shares which are held by the founders or pioneer or beginners of the company
 - (a) Bonus shares
 - (b) Preference Shares
 - (c) Equity shares
 - (d) Deferred shares
 - (e) None of these
17. Which of the following shares are those shares which are issued by the company free of charge as bonus to the shareholders?
 - (a) Deferred shares
 - (b) Bonus shares
 - (c) Preference Shares
 - (d) Equity shares
 - (e) None of these
18. _____ is the maximum amount of capital which can be issued by a company and It can be increased from time to time.
 - (a) Issued Share Capital
 - (b) Subscribed Share Capital
 - (c) Authorized Share Capital
 - (d) Paid up capital
 - (e) None of these

19. Which of the following capital is offered to investors?
 (a) Authorized Share Capital
 (b) Issued Share Capital
 (c) Subscribed Share Capital
 (d) Paid up capital
 (e) None of these
20. Which of the following is the part of Issued capital which is accepted and agreed by the investor.
 (a) Issued Share Capital
 (b) Subscribed Share Capital
 (c) Authorized Share Capital
 (d) Paid up capital
 (e) None of these
21. Which of the following capital is a subscribed capital, the amount of which is paid by the investor?
 (a) Issued Share Capital
 (b) Subscribed Share Capital
 (c) Paid up capital
 (d) Authorized Share Capital
 (e) None of these

Solutions

1. **(c):** Shares are units of ownership interest in a corporation or financial asset that provide for an equal distribution in any profits, if any are declared, in the form of dividends.
2. **(d):** A debenture is a type of debt instrument unsecured by collateral. Since debentures have no collateral backing, debentures must rely on the creditworthiness and reputation of the issuer for support
3. **(e):** There are two main types of shares : Equity share and preferred share .
4. **(b):** Share capital is reported by a company on its balance sheet in the shareholder's equity section.
5. **(a):** Shareholders are the owners of companies limited by shares. They are also called 'members' and they agree to become part of a company by taking a minimum of one share
6. **(d):** Debenture holders are creditors of the company.
7. **(c):** A dividend is the distribution of reward from a portion of the company's earnings and is paid to a class of its shareholders.
8. **(b):** Interest is an award that all debenture holders receive for investing in the debentures of a company.
9. **(b):** They are a certificate of debt, with the date of redemption and amount of repayment mentioned on it. This certificate is issued under the company seal and is known as a bearer
10. **(a):**
11. **(c):** Secured debentures are those which create fixed or floating charge on the assets of the company. Such debentures are also called as mortgage debentures.
12. **(d):** A fully convertible debenture (FCD) is a type of debt security in which the entire value is convertible into equity shares at the issuer's notice.
13. **(b):**
14. **(a):** Equity shareholders are paid on the basis of earnings of the company and do not get a fixed dividend
15. **(c):** Preference shares are the shares which promise the holder a fixed dividend, whose payment takes priority over that of ordinary share dividends.
16. **(d):** Deferred shares are usually reserved for company insiders and investors, with various term stipulations about when the shares vest and may be convertible to common stock or another class of stock.
17. **(b):** A bonus issue, also known as a scrip issue or a capitalization issue, is an offer of free additional shares to existing shareholders.
18. **(c):** The maximum amount of share capital a company is allowed to raise is called its authorized capital.
19. **(b):** Issued (share) capital is the amount of nominal value of share held by the shareholders. It is the face value of the shares that have been issued to the shareholders.
20. **(b):** Subscribed share capital is that part of issued share capital which has been subscribed by investors.
21. **(c):** Paid-up capital is the amount of money a company has received from shareholders in exchange for shares of stock. Paid-up capital is created when a company sells its shares on the primary market directly to investors.



Topic 1: Important Terms related to Banking

Special Drawing Rights (SDRs)

- It is a reserve asset (known as 'Paper Gold') created within the framework of the International Monetary Fund in an attempt to increase international liquidity, and now forming a part of countries' official forex reserves along with gold, reserve positions in the IMF and convertible foreign currencies.

Merchant Banking

- When a bank provides to a customer various types of financial services like accepting bills arising out of trade, arranging and providing underwriting, new issues, providing advice, information or assistance on starting new business, acquisitions, mergers and foreign exchange.

Money Laundering

- The process of creating the appearance that large amounts of money obtained from serious crimes, such as drug trafficking or terrorist activity, originated from a legitimate source.

Prime Lending Rate (PLR)

- The rate at which banks lend to their best (prime) customers. It is usually less than the normal interest rate.

What is Bancassurance?

- It is the term used to describe the partnership or relationship between a bank and an insurance company whereby the insurance company uses the bank sales channel in order to sell insurance products.

What is Balance of Trade?

- The value of a country's exports minus the value of its imports. Unless specified as the balance of merchandise trade, it normally incorporates trade in services, including earnings (interest, dividends, etc.) on financial assets.

What is Balance of Payments?

- A list of all of a country's international transactions for a given time period, usually one 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 debits.

What is a Liquidity Adjustment Facility (LAF)?

- A tool used in monetary policy that allows banks to borrow money through repurchase agreements. This arrangement allows banks to respond to liquidity pressures and is used by governments to assure basic stability in the financial markets.

Demat Account

- The term "**demat**", in India, refers to a dematerialised account for individual Indian citizens to trade in listed stocks or debentures.

GAAR

- It is General Anti-Avoidance Rules.
- Tax Avoidance is an area of concern across the world. The rules are framed in different countries to minimize such avoidance of tax.
- It is a set of general rules enacted so as to check the tax avoidance.

BPLR

- It means the Benchmark Prime Lending Rate.
- It was made applicable normally only on the loans which have been sanctioned before the introduction of Base Rate (i.e. July 2010).

Base Rate

- The Base Rate is the minimum interest rate of a Bank below which it cannot lend, **except for DRI advances, loans to bank's own employees and loan to banks' depositors against their own deposits. (i.e. cases allowed by RBI).**

Prime Lending Rate (PLR)

- The rate at which banks lend to their best (prime) customers. It is usually less than normal interest rate.

Bridge Loan

- A loan made by a bank for a short period to make up for a temporary shortage of cash.
- Bridge loan mainly covers the period between the buying of the new and disposing of the old one.

Open Market Operations

- An open market operation is an instrument of monetary policy which involves buying or selling of government securities from or to the public and banks.

What is NOSTRO Account?

- A Nostro account is maintained by an Indian Bank in the foreign countries.

What is VOSTRO Account?

- A Vostro account is maintained by a foreign bank in India with their corresponding bank.

What is IMPS?

- Immediate Payment Service. It is an instant interbank electronic fund transfer service through mobile phones. Both the customers must have MMID (Mobile Money Identifier Number). For this service, we don't need any GPS-enabled cell phones.

What is BCBS?

- Basel Committee on Banking Supervision is an institution created by the Central Bank governors of the Group of Ten nations.

What is LIBOR?

- London Inter-Bank Offered Rate. An interest rate at which banks can borrow funds, in marketable size, from other banks in the London interbank market.

What are Asset Management Companies?

- A company that invests its clients' pooled fund into securities that match its declared financial objectives.
- Asset management companies provide investors with more diversification and investing options than they would have by themselves. Mutual funds, hedge funds and pension plans are all run by asset management companies.
- These companies earn income by charging service fees to their clients.

CASA

- CASA stands for Current Account Savings Account.
- The ratio shows how much deposit a bank has in the form of current and saving account deposits in the total deposit.
- A higher CASA ratio means better operating efficiency of the bank because on current account there is no interest payable whereas on savings account a tiny 3.5% interest is payable by the bank.
- CASA ratio shows how much of the deposit of the bank comes from the current and savings deposit.

KYC

- KYC is an acronym for "Know your Customer".
- It is a term used for customer identification process.
- It involves making reasonable efforts to determine identity and beneficial ownership of accounts which helps the banks to manage their risks prudently.
- The objective of the KYC guidelines is to prevent banks being used, intentionally or unintentionally by criminal elements for money laundering.
- KYC has two components - Identity and Address. While identity remains the same, the address may change and hence the banks are required to periodically update their records.

Base Rate

- It is the minimum interest rate of a Bank below which it cannot lend, except for DRI advances, loans to bank's own employees and loan to banks' depositors against their own deposits. (i.e. cases allowed by RBI).
- Now, it is decided by MCLR i.e. Marginal Cost of Funds based Lending Rate.

Marginal Cost of funds-based Lending Rate (MCLR)

- RBI announced that from 1st April 2016, all banks will move to the marginal cost of funds-based lending approach for determining their respective base rates.
- The marginal cost of funds will comprise marginal cost of borrowings & return on net worth.

Key Highlights

- It will be a tenor linked internal benchmark.
- Actual lending rates will be determined by adding the components of spread to the MCLR.
- Banks will review and publish their MCLR of different maturities every month on a pre-announced date.
- Banks may specify interest reset dates on their floating rate loans.

CORE BANKING SOLUTIONS (CBS)

- Core (Centralized Online Real-time Exchange) banking Solution is the centralized banking platform where total bank's operations are controlled and run from a centralized hub.
- CBS means application of computer technology to various banking functions.

Topic 2: Lending involves Loans and Advances. The basic difference between both are:

Loans refer to a debt provided by a financial institution for a particular period while **Advances** are the funds provided by the banks, which needs to be payable within one year.

Different Types of Advances are

- Cash credit
- Overdraft
- Purchase and discounting of bills of exchange.

Cash Credit:

- Under this system, a limit, called the credit limit is specified by the bank.
- A borrower is entitled to borrow upto that limit. It is granted against the security of tangible assets or guarantee.
- The borrower can withdraw money, any number of times upto that limit.
- The Interest rate is charged on the actual amount withdrawn and for the period such amount is drawn.
- Overdraft
- An overdraft is a facility granted by the Bank to a current account holder enabling an enterprise to carry out debit transactions even when the amount available on the account is insufficient, and up to a predefined maximum amount agreed upon by the Bank and the customer.
- What this actually means is that when granted an overdraft facility, you can withdraw cash at a branch, issue cheques or transfers, even when your account balance is equal to or below zero on the date of the transaction.
- You can carry out as many transactions as you like and placing your account in a debit position, up to the limit of the maximum amount authorized by the Bank.

- Purchase and Discounting of Bills of Exchange:
- The bank provides the customers with the facility of purchasing and discounting their bills receivable.
- The bank permits the customer to discount his bills receivable and have the value of the bills credited to his account.
- The bank charges discounting charges on the face value
- of the bills.
- It waits till the maturity of the bill and presents it on the due date to the drawee for payment.

Types of Loans and Advances

The loans and advances are divided on the basis of:

- On the Basis of Object or Purpose
- On the Basis of Time
- On the Basis of Security

A. On the Basis of Object or Purpose

- Commercial Loans: This loan is taken to meet short term requirement of capital e.g., working capital.
- Consumer Loan: This loan is taken to finance household goods like fridge, T.V., scooter etc.
- Agricultural Loan: Such a loan is taken by the farmers to meet their short term requirements like buying seeds, fertilisers, insecticides etc.

B. On the Basis of Time

- Short Term Loan: Such a loan is taken for a period of less than one year.
- Medium Term Loan: Such a loan is taken for a period ranging from 1 year to 3 years.
- Long Term Loan: Such a loan is taken to meet long-term requirements from 3 years to 20 years or more.

C. On the Basis of Security

- Secured Loan: Banking Regulation Act, 1949, defines a 'secured loan or advance' as a loan or advance, made on the security of assets, the market value of which is not at any time less than the amount of such loan or advance.
- Unsecured Loans: Such a loan is granted without any security. According to Sec. 5 (a) of the above Act an unsecured loan or advance means a loan or advance not so secured.

Loans Against Movable Assets

Hypothecation:

- Banker has right over goods but physical possession of goods is not with him, e.g. Car Loan, Vehicle loan, CC Limit, Book Debts, Stock / Inventory.
- Hypothecation creates a transfer of interest in favour of hypothecate (Bank). It creates a charge in or upon any movable property, existing or future, created by the borrower in favour of secured creditor (Bank) without delivery of possession.

Pledge:

- Banker has right over goods as well as their physical possession. In case of non-payment, Bank has the right to sell.
- e.g. marketable securities like shares, Gold.

Mortgage:

- When an immovable property, the security is created by way of Mortgage; e.g. for Home Loan, Loan against Property.

Topic 3: Important Codes used in Banking

IFSC (Indian Financial System Code):

- Indian Financial System Code is an alpha-numeric code that uniquely identifies a bank-branch participating in the NEFT system.
- This is an 11-digit code with the first 4 alpha characters representing the bank, the 5th character is 0 (zero).and the last 6 characters representing the bank branch.
- For ex: PNB0014976:
 - (a) First 4-character PNB0 – refers to Punjab National Bank.
 - (b) 0 is a control number.
 - (c) last six characters (014976) represents the PNB branch kurshi Road, Lucknow.

MICR – Magnetic ink character Recognition

- MICR is 9-digit numeric code that uniquely identifies a bank branch participating in electronic clearing scheme.
- Used to identify the location of a bank branch.
- City (3) Bank (3) Branch (3)
- The MICR code is allotted to a bank branch is printed on the MICR band of cheques. It is used for electronic credit system.

SWIFT Code

- Society for Worldwide Interbank financial tele-communication
- India was 74th Nation to join SWIFT Network.
- SWIFT Code is a standard format of bank Identifier code. This code is used particularly in International transfer of money between banks.
- SWIFT Code consist 8 or 11 character when code is 8 digit, it is referred to primary office

4 – bank code

2 – country code

2 – location code

3 – branch code (optional)

Topic 4: REVERSE MORTGAGE LOAN

- The scheme of reverse mortgage has been introduced for the benefit of senior citizens owning a house but having inadequate income to meet their needs.
- Some important features of reverse mortgage are:
- A homeowner who is above 60 years of age is eligible for reverse mortgage loan. It allows him to turn the equity in his home into one lump sum or periodic payments mutually agreed by the borrower and the banker.
- NO REPAYMENT is required as long as the borrower lives, Borrower should pay all taxes relating to the house and maintain the property as his primary residence.
- The amount of loan is based on several factors:
- Borrower's age,
- Value of the property
- Current interest rates &
- The specific plan chosen.
- As per the scheme formulated by National Housing Bank (NHB), the maximum period of the loan period is 15 years.
- The residual life of the property should be at least 20 years. Where the borrower lives longer than 15 years, periodic payments will not be made by lender. However, the borrower can continue to occupy.

Topic 5: Acts Years to be Remembered

- Reserve Bank of India Act, 1934
- Government Securities Act, 2006
- Banking Regulation Act, 1949
- Foreign Exchange Management Act, 1999
- Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002
- Payment and Settlement Systems Act, 2007
- Negotiable Instruments Act, 1881
- State Bank of India Act, 1955
- Companies Act, 1956/ Companies Act, 2013
- State Bank of India Subsidiary Banks) Act, 1959
- Deposit Insurance and Credit Guarantee Corporation Act, 1961
- Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970
- Regional Rural Banks Act, 1976
- Banking Companies (Acquisition and Transfer of Undertakings) Act, 1980
- National Bank for Agriculture and Rural Development Act, 1981
- National Housing Bank Act, 1987
- Indian Coinage Act, 2011
- The Industrial Development Bank (Transfer of Undertaking and Repeal) Act, 2003

pic 7: A Brief on the BALANCE SHEET OF THE BANK

Liabilities of the Banks

Authorised capital | Issued capital | Subscribed capital | Paid-up-capital | Reserve fund | Deposits Borrowings from other banks | Bills payable

Assets of the Banks

Cash | Money at call and short notice | Bills discounted | Bills for collection | Investments | Loans and advances | Fixed assets

Functions of Commercial Banks

PRIMARY FUNCTIONS

Acceptance of Deposits | Advancing Loans & Advances |
Creation of Credit | Promote the Use of Cheques | Remittance of Funds

SECONDARY FUNCTIONS

Collection and Payment of Credit Instruments | Purchase and Sale of Securities | Collection of Dividends on Shares
Income-tax Consultancy

GENERAL UTILITY FUNCTIONS

Locker Facility | Credit Cards | Letter of Credit | Underwriting Securities | Accepting Bills of Exchange | Merchant Banking
A Brief on the Inflation

What is Inflation?

The rise in the prices of goods or service in an economy over a certain period of time is known as inflation.

Types of "Inflation"

- Wage inflation
- Price power inflation
- Cost-push inflation
- Sectorial inflation
- Stagflation
- Mild inflation
- Hyper-inflation
- What are the effects of "Inflation"?
- It decreases the real value of money
- It discourages investment and savings
- It leads to shortage of goods
- Mitigate economic recessions
- Reduces the level of debt

A brief on the Qualitative Measures used by RBI to manage the Money Supply

- **CREDIT CEILING:** In this operation RBI issues prior information or direction that loans to the commercial banks will be given up to a certain limit. In this case commercial bank will be tight in advancing loans to the public. They will allocate loans to limited sectors. Few examples of ceiling are agriculture sector advances, priority sector lending.
- **MORAL SUASION:** These are suggestion and guidelines by the RBI to the commercial banks to take so and so action and measures in so and so trend of the economy.
- RBI may request commercial banks not to give loans for unproductive purpose which does not add to economic growth but increases inflation in the economy.
- **CREDIT AUTHORIZATION SCHEME:** This was introduced in November,1965 when P C Bhattacharya was Governor of RBI. Under this instrument of credit regulation RBI as per the guideline authorizes the banks to advance loans to desired sectors.

Exercise

1. Which of the following is known as 'Paper Gold'?
 - (a) Special Drawing Rights
 - (b) Merchant Banking
 - (c) Sovereign gold bonds
 - (d) Stocks
 - (e) None of these
2. Merchant banking is a professional service provided by ____
 - (a) Foreign Banks to their customers
 - (b) Payment Banks to their customers
 - (c) Merchant banks to their customers
 - (d) Private sector Banks only to their customers
 - (e) None of these
3. Prime Lending Rate is defined as?
 - (a) The rate at which banks lend to their debtful customers.
 - (b) The rate at which banks lend to their riskful customers.
 - (c) The rate at which banks lend to their farmer customers.
 - (d) The rate at which banks lend to their most creditworthy customers.
 - (e) None of these
4. Balance of Trade is?
 - (a) The value of a country's exports minus the value of its imports.
 - (b) The value of a country's exports minus the value of its imports in gold only.
 - (c) The value of a country's exports minus the value of its imports in Agri products only.
 - (d) The value of a country's exports minus the value of its imports in manufactured products only.
 - (e) None of these
5. Liquidity Adjustment Facility (LAF) allows _____ to borrow money through repurchase agreements.
 - (a) MNCs
 - (b) Foreign Government
 - (c) Corporates
 - (d) Banks
 - (e) Trading Companies
6. Bridge Loan is made by a bank for a _____ period
 - (a) Long
 - (b) Short
 - (c) unlimited
 - (d) financial year
 - (e) None of these
7. An open market operation is an instrument of monetary policy which involves
 - (a) selling of government securities to the public
 - (b) selling of government securities to banks
 - (c) only a
 - (d) only b
 - (e) both a & b
8. Nostro account is maintained by?
 - (a) an Indian Bank in the foreign countries.
 - (b) a foreign Bank in India.
 - (c) an Indian Bank in South asian countries only.
 - (d) an Indian Bank in European countries only.
 - (e) None of these
9. A Vostro account is maintained by?
 - (a) an Indian Bank in the foreign countries.
 - (b) a foreign bank in India with their corresponding bank.
 - (c) an Indian Bank in European countries only.
 - (d) an Indian Bank in South asian countries only.
 - (e) None of these
10. What does IMPS stand for?
 - (a) Intermediate Payment Service
 - (b) Immediate Payment Service
 - (c) International Payment Service
 - (d) Interbanking Payment Service
 - (e) None of these

Solutions

1. **(a):** SDRs of the International Monetary Funds are also called Paper Gold. They are allotted to member countries by the IMF and cannot be used by private parties. They are supplementary to Forex reserves.
2. **(c):** Merchant banking is a professional service provided by the merchant banks to their customers considering their financial needs, for adequate consideration in the form of fee.
3. **(d):** The rate at which banks lend to their best (prime) customers or creditworthy customers. It is usually less than the normal interest rate.
4. **(a):** the difference in value between the amount that a country buys from other countries (imports) and the amount that it sells to them (exports)
5. **(d):** Liquidity Adjustment Facility (LAF) is a tool used in monetary policy that allows banks to borrow money through repurchase agreements. This

arrangement allows banks to respond to liquidity pressures and is used by governments to assure basic stability in the financial markets.

6. **(b):** Bridge Loan is a loan made by a bank for a short period to make up for a temporary shortage of cash.
7. **(e):** An open market operation is an instrument of monetary policy which involves buying or selling

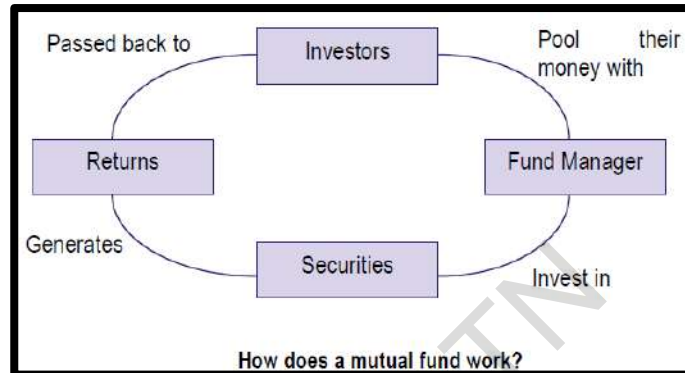
of government securities from or to the public and banks.

8. **(a):** A Nostro account is maintained by an Indian Bank in the foreign countries.
9. **(b):** A Vostro account is maintained by a foreign bank in India with their corresponding bank.
10. **(b):** Immediate Payment Service.



What is a Mutual Fund?

- It is a professionally-managed trust that pools the savings of many investors and invests them in securities like stocks, bonds, short-term money market instruments and commodities.
- It is the most suitable investment for the cautious investor as it offers an **opportunity to invest in a diversified professionally managed basket of securities at a relatively low cost.**

**How is a mutual fund set up?**

- It is set up in the form of a trust that has a Sponsor, Trustees, Asset Management Company (AMC).
- The trust is established by a sponsor(s) who is like a promoter of a company and the said Trust is registered with Securities and Exchange Board of India (SEBI) as a Mutual Fund.

Evolution of Mutual Funds in India

- The mutual fund industry in India started in 1963 with the formation of Unit Trust of India, at the initiative of the Government of India and Reserve Bank of India.
- In 1987, the entry of non- UTI, public sector mutual funds were set up by public sector banks, Life Insurance Corporation of India (LIC) and General Insurance Corporation of India (GIC).
- SBI Mutual Fund was the first non- UTI Mutual Fund established in June 1987.
- LIC established its mutual fund in April 1989 while GIC had set up its mutual fund in December 1990.
- In 1993, the first Mutual Fund Regulations came under which all mutual funds except UTI were to be registered and governed.
- The erstwhile Kothari Pioneer (now merged with Franklin Templeton) was the first private sector mutual fund registered in July 1993.

Different types of mutual fund schemes**Based on the maturity period****Open-ended Fund**

- An open-ended fund is a fund that is available for subscription and can be redeemed on a continuous basis.
- It is available for subscription throughout the year and investors can buy and sell units at NAV related prices.
- These funds do not have a fixed maturity date. The key feature of an open-ended fund is liquidity.

Close-ended Fund

- A close-ended fund is a fund that has a defined maturity period.
- These funds are open for subscription for a specified period at the time of initial launch.

Funds are classified into Equity Funds, Debt Funds and Special Funds.

- Equity funds invest primarily in stocks. A share of stock represents a unit of ownership in a company.
- Debt Funds are of two types viz.
- (a) Bond Funds: They invest in fixed income securities e.g. government bonds, corporate debentures, convertible debentures, money market.
- (b) Gilt Funds: They are mainly invested in Government securities.

Special Funds are of four types viz.

(a) Index Funds

- Every stock market has a stock index which measures the upward and downward sentiment of the stock market.
- Index Funds are low cost funds and influence the stock market. The investor will receive whatever the market delivers.

(b) International Funds: A mutual fund located in India to raise money in India for investing globally.

(c) Offshore Funds: A mutual fund located in India to raise money globally for investing in India.

(d) Sector Funds: They invest their entire fund in a particular industry e.g. utility fund for utility industry like power, gas, public works.

What are Equity Linked Tax Savings Scheme?

- ELSS is one of the options for investors to save taxes under Section 80 C of the Income Tax Act.
- They also offer the perfect way to participate in the growth of the capital market, having a lock-in-period of three years.

What is a Hedge Fund?

- A hedge fund (there are no hedge funds in India) is a highly regulated investment fund that escapes most regulations by being a sort of a private investment vehicle being offered to selected clients.

Who all are the 5 Constituents in Mutual Funds?

There are five principal constituents which are:

- Sponsor: A company established under the Companies Act forms a mutual fund.
- Asset Management Company
- An entity registered under the Companies Act to manage the money invested in the mutual fund and to operate the schemes of the mutual fund as per regulations. It carries the responsibility of investing and managing the investors' money.
- Trustee: The trust is headed by Board of Trustees. The trustees have the duty to monitor the actions of the AMC to ensure compliance with
- Unit Holder: A person/entity holding an undivided share in the assets of a mutual fund scheme.
- Mutual Fund: A mutual fund established under the Indian Trust Act to raise money through the sale of units to the public for investing in the capital market. The mutual fund has to be registered with SEBI.

What is NAV?

- Net Asset Value (NAV) is the amount which a unit holder would receive if the mutual fund were wound up.
- It is the net value of all assets less liabilities. NAV represents the market value of total assets of the Fund less total liabilities attributable to those assets.
- NAV changes daily. The value of assets and liabilities changes daily.
- NAV is computed as a value per unit of holding.

$$\text{NAV (₹)} = \frac{\text{Market/Fair Value of Securities + Accrued Income + Receivable + other assets + Accrued Expenses - payables - other liabilities}}{\text{No of Units outstanding of the Scheme / Option}}$$

Common Types of mutual funds & what they typically invest in

Type of Fund	Typical Investment
Equity or Growth Fund	Equities like stocks
Fixed Income Fund	Fixed income securities like government and corporate bonds
Money Market Fund	Short-term fixed income securities like treasury bills
Balanced Fund	A mix of equities and fixed income securities
Sector-specific Fund	Sectors like IT, Pharma, Auto etc.
Index Fund	Equities or Fixed income securities chosen to replicate a specific Index for example S&P CNX Nifty
Fund of funds	Other mutual funds

Exercise

- An investment programme funded by shareholders that trades in diversified holdings and is professionally managed. It is called?
 - mutual fund
 - Trust fund
 - Equity fund
 - Shareholders fund
 - None of these
- Indian Mutual Fund industry is well regulated by_____?
 - GOI
 - RBI
 - SEBI
 - Finance ministry
 - Particular State governments
- The mutual fund industry in India started in ____ with the formation of Unit Trust of India?
 - 1990
 - 1960
 - 1955
 - 1963
 - None of these
- SBI Mutual Fund was the first non- UTI Mutual Fund established in?
 - July 1987
 - June 1987
 - June 1988
 - May 1987
 - None of these
- LIC established its mutual fund in?
 - June 1980
 - April 1989
 - July 1989
 - May 1989
 - June 1980
- GIC had set up its mutual fund in?
 - December 1990
 - December 1991
 - December 1992
 - December 1993
 - December 1994
- In which year, the first Mutual Fund Regulations came under which all mutual funds except UTI were to be registered and governed?
 - 1985
 - 1991
 - 1993
 - 1990
 - 1992
- The erstwhile Kothari Pioneer (now merged with Franklin Templeton) was the first private sector mutual fund registered in which year?
 - July 1993
 - May 1993
 - July 1991
 - July 1992
 - June 1993
- The current Mutual Fund Regulations from SEBI was introduced in which year?
 - 1990
 - 1994
 - 1991
 - 1996
 - 1995
- What is the full form of ETF?
 - Exchange Traded Foundation
 - Exchange Tradable Fund
 - Exchange Traded Fund
 - Exchange Trading Fund
 - External Traded Fund
- UTI was set up by whom?
 - RBI
 - GOI
 - SEBI
 - SBI
 - None of these
- What is the full form of NAV?
 - Net Asset Volume
 - Net Assessment Value
 - Negotiable Asset Value
 - Net Asset Value
 - None of these
- A fund that is basically an index fund that trades like a closed-end fund is called?
 - Internal -traded fund.
 - Exchange-traded fund.
 - External traded fund.
 - exchange-trading fund.
 - None of these

14. An investment company that will repurchase shares at any time is called a(n) ____ fund?
 (a) Semi close -end (b) Semi Open-end
 (c) open-end (d) Close -end
 (e) None of these
15. An investment company that issues a fixed number of shares which can only be resold in the open stock market is called ____ fund.
 (a) Closed-end (b) Open- end
 (c) Semi Closed-end (d) Semi open -end
 (e) None of these
16. The value of a load mutual fund's assets less its liabilities, divided by the number of shares outstanding is referred to as the funds?
 (a) Total liabilities (b) Net asset value.
 (c) Gross assets (d) Gross liabilities
 (e) None of these
17. Which is a highly regulated investment fund that escapes most regulations by being a sort of a private investment vehicle being offered to selected clients?
 (a) Fixed income funds. (b) Equity funds
 (c) Specialty funds (d) Hedge Fund
 (e) None of these

Solutions

1. **(a):** A mutual fund is a professionally managed investment fund that pools money from many investors to purchase securities. These investors may be retail or institutional in nature. Mutual funds have advantages and disadvantages compared to direct investing in individual securities.
2. **(c):** Mutual funds in India are regulated and monitored by the Securities and Exchange Board of India (SEBI), which strives to protect the interests of investors.
3. **(d):** The mutual fund industry in India started in 1963 with the formation of Unit Trust of India (UTI) at the initiative of the Reserve Bank of India (RBI) and the Government of India.
4. **(b):** Launched in 1987, SBI Mutual Fund became the first non-UTI mutual fund in India.
5. **(b):** LIC Mutual Fund was established on 20th April 1989
6. **(a):** LIC Mutual Fund was established on 20th April 1989 by LIC of India.
7. **(c):** 1993 was the year in which the first Mutual Fund Regulations came into being, under which all mutual funds, except UTI were to be registered and governed
8. **(a):** The erstwhile Kothari Pioneer (now merged with Franklin Templeton) was the first private sector mutual fund registered in July 1993
9. **(d):** Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 is a set of regulations in India that govern mutual funds.
10. **(c):** An exchange-traded fund (ETF) is an investment fund traded on stock exchanges, much like stocks.
11. **(a):** Unit Trust of India (UTI) was established in 1963 by an Act of Parliament. It was set up by the Reserve Bank of India and functioned under the Regulatory and administrative control of the Reserve Bank of India.
12. **(d):** Net asset value
13. **(b):** An exchange-traded fund (ETF) is a type of security that involves a collection of securities—such as stocks—that often tracks an underlying index, although they can invest in any number of industry sectors or use various strategies.
14. **(c):** An open-end fund is a diversified portfolio of pooled investor money that can issue an unlimited number of shares. The fund sponsor sells shares directly to investors and redeems them as well. These shares are priced daily, based on their current net asset value (NAV). Some mutual funds, hedge funds, and exchange-traded funds (ETFs) are types of open-end funds.
15. **(a):** A closed-end fund is a portfolio of pooled assets that raises a fixed amount of capital through an initial public offering (IPO) and then lists shares for trade on a stock exchange. Like a mutual fund, a closed-end fund has a professional manager overseeing the portfolio and actively buying and selling holding assets.
16. **(b):** The net asset value (NAV) represents the net value of an entity and is calculated as the total value of the entity's assets minus the total value of its liabilities.
17. **(d):** A hedge fund is an aggressively managed portfolio of investments that uses leveraged, long, short and derivative positions.



Important schemes are as follows

PM Awas Yojana, PM Mudra Loan Scheme, PM Jan Dhan Yojana, PM Suraksha Bima Yojana, Ujjwala Yojana, Atal Pension yojana, Startup India, Stand Up India, PM Kaushal Vikas Yojana are some of the flagship schemes from the List of Narendra Modi Govt. Schemes.

Pradhan Mantri Jan Dhan Yojana

28 July 2014

To provide access to banking facilities and financial services to the poor people. This is a national mission for the financial inclusion of all households.

Pradhan Mantri Suraksha Bima Yojana

9 May 2015

This scheme will provide a very affordable insurance scheme for poor and underprivileged people in the age group of 18 to 70 years. Candidates must possess a bank account at a premium of Rs. 12 p.a. There will be a risk coverage of Rs. 2 lakhs for accidental death / full disability and Rs. 1 lakh for partial disability.

Pradhan Mantri Jeevan Jyoti Bima Yojana

9 May 2015

To create a social security system for the poor and underprivileged in the age group of 18-50 years by providing a renewable life insurance cover of Rs.2 lakhs with just a premium of Rs. 330.

Atal Pension Yojana

9 May 2015

Govt. will provide financial security in old age through guaranteed minimum monthly pension for all people who are working in the informal sector or daily wagers in the age group of 18 to 40 years. Govt. contribution is 50% of beneficiaries premium (up to Rs. 1000) for 5 years in new accounts opened before 31 December 2015.

Pradhan Mantri Ujjwala Yojana

1 May 2016

To provide deposit free 5 crore cooking gas (LPG) connections to women from below-poverty-line (BPL) households over 3 years from 2016-17 to 2018-2019.

In the Union budget for FY 21-22, provision for an additional one crore LPG connection under the PMUY scheme was announced.

Swachh Bharat Mission

Swachh Bharat Mission Gramin (SBM-G)

2 October 2014

To fulfill Mahatma Gandhi's dream of a clean and hygienic India.

Swachh Bharat Mission (Urban)

2 October 2014

To make 4,041 cities and towns Open Defecation Free and clean by October, 2019

SWACHH BHARAT MISSION-URBAN 2.0 was launched on 1st October 2021 with the objectives of Eradication of open defecation in all statutory towns; 100% scientific management of municipal solid waste in all statutory towns; and effecting behaviour change through Jan Andolan over the next 5 years.

Accessible India Campaign

3 December 2015

To make at least 50 percent of all government buildings in the national capital and all state capitals “fully accessible” for the disabled by July 2018.

Accessible India Campaign

Pradhan Mantri Awas Yojana (Urban)

25 June 2015

To address the gap in housing demand and supply in urban areas in respect of Economically Weaker Sections, Low and Middle Income Groups and meet the target of “Housing for All” by 2022, with an aim to provide a decent pucca home

Beti Bachao Beti Padhao Yojana

22 January 2015

The goal of the BBBP scheme is to celebrate the girl child and enable her education. The specific objectives of the scheme include preventing gender biased sex selective elimination, ensuring survival and protection of the girl child and ensuring education and participation of the girl child.

Pradhan Mantri Sukanya Samridhi Yojana

22 January 2015

A small deposit savings scheme to promote the welfare of girl child and ensure them a secure future.

Mission Indradhanush

25 December 2014

To achieve full immunization of at least 90% children by 2022 . Full immunization coverage to miss out and leave out children and pregnant women during routine immunization rounds, against 7 life threatening diseases.

Deen Dayal Upadhyaya Gram Jyoti Yojana

25 July 2015

100% Rural Electrification with reliable, adequate & quality electricity supply and also to provide access to electricity to villages/habitations & households. It includes Strengthening and augmentation of sub transmission and distribution infrastructure, Separation of agriculture and non-agriculture feeders and Metering for feeders, distribution transformers & consumers along with Micro-grid and off-grid distribution network.

Stand Up India Yojana

5 April 2016

To support entrepreneurship among women and SC & ST communities by facilitating bank loans between 10 lakh and 1 Crore to them. This scheme will benefit at least 2.5 lakh entrepreneurs.

Startup India Scheme

16 January 2016

To foster entrepreneurship and nurture innovation by creating an ecosystem that is conducive for growth of Start-ups to drive sustainable economic growth and generate large scale employment opportunities.

Pradhan Mantri Kaushal Vikas Yojana (PMKVY)

15 July 2015

To provide formal short-term training to impart skills to and recognition of skills through certification, to enhance employability of the youth.

Digital India

1 July 2015

To transform India into a digitally empowered society and knowledge economy.

Make In India

25 September 2014

To project India as a preferred investment destination and a global manufacturing hub. The major objective behind the initiative was to renew focus on job creation, skill development, fostering innovation and high-quality standards in the manufacturing sector.

Exercise

1. Pradhan Mantri Jan Dhan Yojana was launched on
(a) 28 July 2014 (b) 20 July 2014
(c) 28 July 2015 (d) 28 July 2016
(e) None of these
2. Under Pradhan Mantri Jan Dhan Yojna (PMJDY) overdraft facility for how much amount would be available after satisfactory operation of the account for 6 months?
(a) 5000 (b) 4000
(c) 2000 (d) 3000
(e) None of these
3. Pradhan Mantri Suraksha Bima Yojana was launched on
(a) 9 May 2015 (b) 9 May 2014
(c) 6 May 2015 (d) 9 December 2015
(e) 9 June 2015
4. Pradhan Mantri Suraksha Bima Yojana (PMSBY) is a government-backed ----- insurance scheme
(a) Accident (b) Housing
(c) Banking (d) Education
(e) None of these
5. Pradhan Mantri Jeevan Jyoti Bima Yojana was launched on
(a) 9 May 2015 (b) 9 May 2014
(c) 9 May 2016 (d) 9 June 2015
(e) 10 May 2015
6. PMJJBY is a type of ___?
(a) Life Insurance Scheme
(b) Pension scheme
(c) House for all
(d) Internet for all
(e) None of these
7. What is the maximum pension benefit under APY?
(a) Rs 5,000 (b) Rs 4,000
(c) Rs 3,000 (d) Rs 2,500
(e) Rs 1,000
8. What is the tax benefit under Atal Pension Yojana?
(a) Rs 50,000 (b) Rs 40,000
(c) Rs 25,000 (d) Rs 30,000
(e) Rs 10,000
9. Who administers Atal Pension Yojana?
(a) Pension Fund Regulatory and Development Authority (PFRDA)
(b) Insurance Regulatory and Development Authority
(c) Reserve Bank of India
(d) Government of India
(e) Finance Ministry
10. Pradhan Mantri Ujjwala Yojana was launched on
(a) 1 May 2016 (b) 1 May 2015
(c) 2 May 2016 (d) 1 May 2014
(e) 1 June 2016
11. The aim of Pradhan Mantri Ujjwala Yojana is?
(a) To provide cooking gas connections to 5 crore BPL beneficiaries
(b) To provide sanitation to rural household
(c) To provide house to each and every person
(d) To open bank accounts of every household
(e) None of these
12. Swachh Bharat Mission was launched in
(a) 2014 (b) 2015
(c) 2016 (d) 2013
(e) None of these
13. Swachh Bharat Abhiyan was launched on the occasion of the birth anniversary of a famous Indian leader?
(a) Mahatma Gandhi
(b) Lal bahadur shastri
(c) Shayma prasad mukherji
(d) Deen dayal upadaya
(e) None of these
14. What is the tag-line of 'Swachh Bharat Abhiyan'?
(a) Ek kadam swachhata ki ore
(b) Saaf-safai hai Jaruri
(c) Aas-Paas ka karo sudhaar
(d) Safai Hai apna kartavya
(e) None of these
15. Beti Bachao Beti Padhao Yojana was launched on which date
(a) 22 January 2015 (b) 20 January 2015
(c) 22 January 2016 (d) 22 March 2015
(e) 22 January 2014
16. In which of the following states, Beti Bachao Beti Padhao was launched?
(a) Haryana (b) Uttar Pradesh
(c) Rajasthan (d) Madhya Pradesh
(e) Punjab
17. Which is a nodal ministry for the Beti Bachao Beti Padhao (BBBP) scheme?
(a) Ministry of Women and Child Development
(b) Ministry of Human resource department
(c) Ministry of Health and Family Welfare
(d) All of the above
(e) None of these
18. Pradhan Mantri Sukanya Samridhi Yojana was launched on
(a) 22 January 2015 (b) 21 January 2015
(c) 22 January 2016 (d) 20 January 2015
(e) 22 March 2015

- 19.** Sukanya Samriddhi Account was launched by the government under which scheme?
 (a) Beti Bachao, Beti Padhao
 (b) Balika Samridhi Yojana
 (c) Nanda Devi Kanya Yojana
 (d) Mukhyamantri Rajshri Yojana
 (e) Mazi Kanya Bhagyashree Scheme
- 20.** Upto what age of the girl child can an account under the Sukanya Samriddhi Yojana be opened?
 (a) 10 years (b) 12 years
 (c) 6 years (d) 5 years
 (e) 3 years
- 21.** For how many years can deposits be made in an account under the Sukanya Samriddhi Yojana?
 (a) 15 years (b) 10 years
 (c) 5 years (d) 12 years
 (e) 20 years
- 22.** What is the maximum number of accounts a natural or legal guardian can open for his girl children under the Sukanya Samriddhi Yojana?
 (a) Only 2 accounts under normal circumstances but 3 accounts may be opened if the twin girls have been born in the second birth.
 (b) Only 1 account under normal circumstances but 3 accounts may be opened if the twin girls have been born in the second birth.
 (c) Only 2 accounts under normal circumstances but 4 accounts may be opened if the twin girls have been born in the second birth.
 (d) Only 1 account under normal circumstances but 2 accounts may be opened if the twin girls have been born in the second birth.
 (e) None of these
- 23.** What is the minimum annual deposit to be made in an account under the Sukanya Samriddhi Yojana?
 (a) Rs. 250 (b) Rs. 350
 (c) Rs. 200 (d) Rs. 450
 (e) Rs. 550
- 24.** What is the maximum amount that can be deposited in a year in an account under the Sukanya Samriddhi Yojana?
 (a) Rs. 1,50,000 (b) Rs. 2,50,000
 (c) Rs. 1,00,000 (d) Rs. 3,50,000
 (e) Rs. 4,50,000
- 25.** What is the maturity period for Sukanya Samriddhi Account?
 (a) After time period of 15 years from date of opening it
 (b) After time period of 22 years from date of opening it
 (c) After time period of 18 years from date of opening it
 (d) After time period of 21 years from date of opening it
 (e) After time period of 25 years from date of opening it
- 26.** Mission Indradhanush was launched on
 (a) 25 December 2014 (b) 26 December 2014
 (c) 25 January 2014 (d) 25 December 2015
 (e) 25 December 2013
- 27.** The achievement of full immunisation under Mission Indradhanush to at least 90% coverage was to be achieved by which year?
 (a) 2020 (b) 2021
 (c) 2022 (d) 2030
 (e) None of these
- 28.** Deen Dayal Upadhyaya Gram Jyoti Yojana was launched on
 (a) 15 July 2015 (b) 25 July 2015
 (c) 20 July 2015 (d) 25 June 2015
 (e) None of these
- 29.** Which scheme was launched on 5 April 2016 for promoting entrepreneurship among SC, ST and women entrepreneurs?
 (a) Stand Up India
 (b) Pradhan Mantri Adarsh Gram Yojana
 (c) Post-Matric Scholarship for SC students
 (d) National Safai Karamcharis Finance and Development Corporation
 (e) None of these
- 30.** Stand Up India Yojana was launched on
 (a) 5 April 2015 (b) 15 April 2016
 (c) 25 April 2016 (d) 5 April 2016
 (e) None of these
- 31.** Stand Up India Yojana facilitating bank loans between
 (a) 20 lakh and 1 Crore (b) 15 lakh and 1 Crore
 (c) 10 lakh and 2 Crore (d) 5 lakh and 1 Crore
 (e) 10lakh and 1 Crore
- 32.** Startup India Scheme was launched on
 (a) 16 January 2015 (b) 15 January 2016
 (c) 16 January 2016 (d) 16 April 2016
 (e) None of these
- 33.** Pradhan Mantri Kaushal Vikas Yojana (PMKVY) was launched on
 (a) 15 June 2015 (b) 16 July 2015
 (c) 15 July 2014 (d) 15 July 2015
 (e) None of these
- 34.** PMKVY has total outlay of about
 (a) INR 1,500 crore (b) INR 2,500 crore
 (c) INR 1,000 crore (d) INR 5,000 crore
 (e) None of these

35. Pradhan Mantri Kaushal Vikas Yojana (PMKVY) implemented by which ministry?
 (a) Ministry of Electronics and Information Technology
 (b) Ministry of Agriculture & Farmers Welfare
 (c) Ministry of Women and Child Development
 (d) Ministry of Skill Development & Entrepreneurship
 (e) Ministry of Personnel, Public Grievances and Pensions
36. Digital India was launched on which date
 (a) 1 June 2015 (b) 1 July 2014
 (c) 1 July 2015 (d) 2 July 2015
 (e) 1 April 2015
37. Which scheme was launched To transform India into a digitally empowered society and knowledge economy?
 (a) Pradhan Mantri Jan Dhan Yojana (PMJDY)
 (b) Digital India
 (c) Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY)
 (d) Pradhan Mantri Suraksha Bima Yojana (PMSBY)
 (e) Pradhan Mantri Mudra Yojana.
38. Make In India was launched on which date
 (a) 25 June 2014 (b) 26 September 2014
 (c) 25 September 2015 (d) 25 September 2014
 (e) 25 July 2014
39. What was the major objective of Make In India
 (a) To renew focus on job creation
 (b) Skill development
 (c) Fostering innovation
 (d) High-quality standards in the manufacturing sector
 (e) All of the above

Solutions

1. (a): Pradhan Mantri Jan Dhan Yojana (PMJDY), one of the biggest financial inclusion initiatives in the world, was launched on 28th July 2014
2. (a): Overdraft facility upto Rs. 5000/- is available to one account holder of PMJDY per household after 6 months of satisfactory conduct of the account.
3. (a): The Prime Minister Shri Narendra Modi launched the scheme on 9th May 2015 at Kolkata.
4. (a): Pradhan Mantri Suraksha Bima Yojana is a government-backed accident insurance scheme in India
5. (a): Pradhan Mantri Jeevan Jyoti Bima Yojana was launched on 9th may 2015.
6. (a): PMJJBY is a pure term insurance policy which covers only mortality with no investment component and has a life cover of Rs. 2 lakh.
7. (a): APY provides guaranteed pension of Rs 1,000 to Rs 5,000 (as explained above) to the subscribers. The scheme also allows a subscriber to decrease or increase pension amount during the course of accumulation phase, once an year.
8. (a): A subscriber of the Atal Pension Yojana account can enjoy tax benefits, including the additional deduction of Rs.50,000 under Section 80CCD (1) of the Income Tax Act
9. (a): APY is administered by Pension Fund Regulatory and Development Authority (PFRDA)
10. (a): The scheme was launched by Prime Minister Narendra Modi on 1 may 2016 .The scheme aims to provide LPG connections to rural household.
11. (a): the scheme was launched to provide the LPG connections without security deposit to 5 crore women from BPL households .
12. (a): Swachh Bharat Abhiyan campaign, launched on 2 October 2014 on Gandhi Jayanti, aims to eradicate open defecation by 2 October 2019, the 150th anniversary of the birth of Mahatma Gandhi
13. (a): Swachh Bharat Abhiyan campaign, launched on 2 October 2014 on Gandhi Jayanti, aims to eradicate open defecation by 2 October 2019, the 150th anniversary of the birth of Mahatma Gandhi
14. (a): 'Ek Kadam Swachhata Ki Aur' or 'a stage towards the tidiness' is the slogan of Swachh Bharat. Mahatma Gandhi is the substance of Swachh Bharat.
15. (a): The Beti Bachao, Beti Padhao (BBBP) scheme was launched on 22 January 2015 by PM Narendra Modi.
16. (a): Beti Bachao Beti Padhao (BBBP) was launched by the Prime Minister on 22nd January, 2015 at Panipat, Haryana. BBBP addresses the declining Child Sex Ratio (CSR) and related issues of women empowerment over a life-cycle continuum.
17. (d): It is a tri-ministerial effort of Ministries of Women and Child Development, Health & Family Welfare and Human Resource Development.
18. (a): the Sukanya samridhi scheme was launched on 22 january 2015

- 19. (a):** Sukanya Samridhi Yojana Account- SSY. Sukanya Samridhi Yojana (SSY) scheme was launched by Prime Minister Narendra Modi under the Beti Bachao Beti Padhao campaign with the main aim of securing the future of a girl child.
- 20. (a):** The Sukanya Samridhi Yojana (SSY) is a small savings scheme backed by the Government of India exclusively for the girl child. As per this scheme, a parent or legal guardian can open an account in the name of a girl child until she attains the age of ten years.
- 21. (a):** Deposits in a Sukanya Samridhi account may be made till the completion of 15 years, from the date of opening of the account
- 22. (a):** A natural or legal guardian of a girl child is allowed to open two accounts for up to two girls. One can open a third account in the name of a girl child in a scenario of birth of twin girls
- 23. (a):** A Sukanya Samridhi Account can be opened any time after the birth of a girl till she turns 10, with a minimum deposit of Rs 250 (Earlier it was Rs 1,000).
- 24. (a):** a minimum of Rs 250 and a maximum of Rs 1.5 lakh can be deposited during the ongoing financial year.
- 25. (d):** The account will be valid for 21 years from the date of opening, after which it will mature and the money will be paid to the girl child in whose name the account had been opened
- 26. (a):** Mission Indradhanush. Mission Indradhanush is a health mission of the government of India. It was launched by Union Health Minister J. P. Nadda on 25 December 2014.
- 27. (c):** Mission Indradhanush. Mission Indradhanush is a health mission of the government of India. It was launched by Union Health Minister J. P. Nadda on 25 December 2014. The scheme this seeks to drive towards 90% full immunization coverage of India and sustain the same by year 2022
- 28. (b):** The Prime Minister Shri Narendra Modi launched the Deen Dayal Upadhyaya Gram Jyoti Yojana (DDUGJY) on 25th July 2015 in Patna.
- 29. (a):** The Prime Minister Narendra Modi launched the 'Stand up India' scheme on 5 April 2016 to promote entrepreneurship among Scheduled Caste/Scheduled Tribes and Women entrepreneurs.
- 30. (d):** Prime Minister Narendra Modi launched the 'Stand up India' scheme on 5 April 2016 as part of the government's efforts to support entrepreneurship among women and SC & ST communities.
- 31. (e):** Stand-Up India Scheme Facilitates bank loans between 10 lakh and 1 Crore to at least one Scheduled Caste (SC) or Scheduled Tribe (ST) borrower and at least one woman borrower per bank branch for setting up a greenfield enterprise.
- 32. (c):** Startup India was launched by Prime Minister Shri. Narendra Modi on 16th January 2016.
- 33. (d):** Pradhan Mantri Kaushal Vikas Yojana (PMKVY) was launched on 15 July 2015
- 34. (a):** The Union Cabinet chaired by the Prime Minister, Shri Narendra Modi approved the Pradhan Mantri Kaushal Vikas Yojana (PMKVY) with an outlay of Rs.1500 crore.
- 35. (d):** Pradhan Mantri Kaushal Vikas Yojana (PMKVY) is the flagship scheme of the Ministry of Skill Development & Entrepreneurship (MSDE) implemented by National Skill Development Corporation
- 36. (c):** Digital India was launched by the Prime Minister of India Narendra Modi on 1 July 2015 with an objective of connecting rural areas with high-speed Internet networks and improving digital literacy.
- 37. (b):** In order to transform the entire ecosystem of public services through the use of information technology, the Government of India has launched the Digital India programme with the vision to transform India into a digitally empowered society and knowledge economy.
- 38. (d):** Prime Minister Narendra Modi launched the Make in India initiative on September 25, 2014, with the primary goal of making India a global manufacturing hub, by encouraging both multinational as well as domestic companies to manufacture their products within the country.
- 39. (e):** The major objective behind the initiative is to focus on job creation and skill enhancement in 25 sectors of the economy. The initiative also aims at high quality standards and minimising the impact on the environment. The initiative hopes to attract capital and technological investment in India.



Banking Ombudsman Scheme, 2006

What is the Banking Ombudsman Scheme?

- Banking Ombudsman Scheme is an expeditious and inexpensive forum for bank customers for resolution of complaints relating to certain services rendered by banks.
- It is introduced under Section 35 A of the Banking Regulation Act, 1949 by RBI with effect from 1995.
- Presently the Banking Ombudsman Scheme 2006 (As amended upto July 1, 2017) is in operation.

Who is a Banking Ombudsman?

- Banking Ombudsman is a senior official appointed by RBI to redress customer complaints against deficiency in certain banking services covered under the grounds of complaint specified under Clause 8 of the Banking Ombudsman Scheme 2006 (As amended upto July 1, 2017).
- As on date, 22 Banking Ombudsman have been appointed with their offices located mostly in state capitals.

Banks covered under the Banking Ombudsman Scheme, 2006?

- All Scheduled Commercial Banks, Regional Rural Banks and Scheduled Primary Co-operative Banks are covered under the Scheme.

When can one file a complaint?

- One can file a complaint before the Banking Ombudsman if the reply is not received from the bank within a period of one month after the bank concerned has received one's complaint, or the bank rejects the complaint, or if the complainant is not satisfied with the reply given by the bank.
- Note: Banking Ombudsman does not charge any fee for filing and resolving customers' complaints.

Limit on the amount of compensation?

- The amount, if any, to be paid by the bank to the complainant by way of compensation for any loss suffered by the complainant is limited to the amount arising directly out of the act or omission of the bank or Rs. 20 lakhs (Rs. Two Million), whichever is lower.
- Note: Banking Ombudsman may award compensation not exceeding Rs. 1 lakh (Rs. One Hundred Thousand) to the complainant for mental agony and harassment.

Is there any further recourse available if one rejects the Banking Ombudsman's decision?

- Any person against the decision of the Banking Ombudsman can approach the Appellate Authority.
- The Appellate Authority is vested with a Deputy Governor of the RBI.
- Note: One can file the appeal against the award or decision of the Banking Ombudsman rejecting the complaint within 30 days of the date of receipt of the Award.

NBFC's Ombudsman Scheme, 2006

What is the Ombudsman Scheme for Non-Banking Financial Companies, 2018?

- RBI introduced an Ombudsman Scheme for customers of Non-Banking Financial Companies (NBFCs).
- The Scheme is an expeditious & cost free apex level mechanism for resolution of complaints of customers of NBFCs, relating to certain services rendered by NBFCs.
- It is being introduced under Section 45 L of RBI Act, 1934, with effect from February 23, 2018.

Who is the NBFC Ombudsman?

- The NBFC Ombudsman is a senior official appointed by RBI to redress customer complaints against NBFCs for deficiency in certain services covered under the grounds of complaint specified under Clause 8 of the Scheme.
- As on date, four NBFC Ombudsman have been appointed with their offices located at Chennai, Kolkata, New Delhi and Mumbai.

Which are the NBFCs covered under the Scheme?

- NBFCs which are defined in Section 45-I (f) of RBI Act 1934 & registered with RBI under Section 45-IA of RBI Act 1934, which (a) are authorized to accept deposits; or (b) have customer interface, with assets size of one billion rupees or above, as on the date of the audited balance sheet of previous financial year, or of any such asset size as the RBI may prescribe, are covered under the Scheme.
- The Scheme initially covers NBFCs authorized to accept deposits & would be gradually extended to cover other identified NBFCs.

When can one file a complaint?

- For redressal of grievance, the complainant must first approach the concerned NBFC.
- If NBFC does not reply within a period of one month after receipt of complaint, or NBFC rejects the complaint, or if complainant is not satisfied with the reply given by the NBFC, the complainant can file the complaint with NBFC Ombudsman under whose jurisdiction the branch/ registered office of NBFC falls.
- **Note:** NBFC Ombudsman does not charge any fee for filing and resolving customers' complaints.

What is the limit of the amount of compensation?

- The compensation amount, if any, which can be awarded by NBFC Ombudsman, for any loss suffered by complainant, is limited to the amount arising directly out of the act or omission of the NBFC or rupees one million, whichever is lower.
- **Note:** NBFC Ombudsman may award compensation not exceeding rupees 0.1 million to the complainant for causing mental agony & harassment.

Is there any further recourse available if one rejects the NBFC Ombudsman's decision?

- Yes, the Scheme provides appellate mechanism for complainant as well as NBFC.
- Appellate Authority is vested with a Deputy Governor-in-Charge of the department of the RBI implementing the Scheme.
- **Note:** One can file an appeal against the award or the decision of the NBFC Ombudsman rejecting the complaint, within 30 days of the date of receipt of communication of Award or rejection of the complaint.

Exercise

- The Banking Ombudsman Scheme was introduced under:
 - Banking Regulation Act, 1949
 - Banking Regulation Act, 1995
 - Banking Regulation Act, 1950
 - Banking Regulation Act, 1947
 - Banking Regulation Act, 1955
- The Banking Ombudsman Scheme was introduced by RBI with effect from _____.
 - 1996
 - 1947
 - 1995
 - 1971
 - 1990
- The Banking Ombudsman Scheme was first introduced in India in 1995 and it was revised in _____.
 - 2010
 - 2001
 - 2006
 - 2002
 - 2012
- Current Banking Ombudsman Scheme introduced in _____.
 - 2003
 - 2006
 - 2010
 - 2001
 - 1995
- The Banking Ombudsman Scheme is introduced under _____ of the Banking Regulation Act, 1949.
 - Section 32 A
 - Section 35 A
 - Section 34 A
 - Section 35 B
 - Section 35 C
- Banking Ombudsman is a senior official appointed by the RBI to redress customer complaint specified under _____ of the Banking Ombudsman Scheme 2006
 - Clause 8
 - Clause 4
 - Clause 7
 - Clause 6
 - Clause 1
- How many Banking Ombudsman have been appointed?
 - 12
 - 30
 - 22
 - 15
 - 10
- Banking Ombudsman is appointed by _____.
 - Reserve Bank of India
 - Government of India
 - Finance Ministry
 - Ministry of consumer affairs
 - None of these

9. Banking Ombudsman may award compensation not exceeding ____ to the complainant for mental agony and harassment.
 (a) 5 lakh (b) 3 lakhs
 (c) 4 lakhs (d) 1 lakhs
 (e) 2 lakhs
10. Banking Ombudsman is appointed for
 (a) FEMA
 (b) Foreign Reserve of RBI
 (c) Handling and redress customer complaints against deficiency in certain banking services
 (d) NGOs Foreign Funding
 (e) Real Estate funding
11. The Banking Ombudsman charges ____ fee for filing and resolving customers' complaints.
 (a) No fee (b) Rs. 125
 (c) Rs. 50 (d) Rs. 25
 (e) None of these
12. Is there any limit on the amount of compensation as specified in an Award?
 (a) Rs. 30 lakhs (b) Rs. 12 lakhs
 (c) Rs. 15 lakhs (d) Rs. 20 lakhs
 (e) Rs. 10 lakhs
13. One can file the appeal against the award or decision of the Banking Ombudsman rejecting the complaint within ____ of the date of receipt of the Award
 (a) 90 days (b) 45 days
 (c) 60 days (d) 120 days
 (e) 30 days
14. Under the Ombudsman scheme for NBFC, who is the appellate authority for handling the complaints?
 (a) Regional Governor
 (b) Governor
 (c) Deputy Governor
 (d) Independent Governor
 (e) None of these
15. What is the maximum amount of award that can be passed by the Ombudsman for NBFC?
 (a) 10 lakhs (b) 50 lakhs
 (c) 12 lakhs (d) 15 lakhs
 (e) 20 lakhs
16. If a complaint is not settled by an agreement within a period of ____ month, the Banking Ombudsman proceeds further to pass an Award.
 (a) Four (b) One
 (c) Six (d) Three
 (e) Two
17. The NBFC Ombudsman Scheme is being introduced under which act?
 (a) Reserve Bank of India Act, 1955 (b) Reserve Bank of India Act, 1947
 (c) Reserve Bank of India Act, 1971 (d) Reserve Bank of India Act, 1934
 (e) Reserve Bank of India Act, 1935
18. The NBFC Ombudsman Scheme is being introduced under which section of Reserve Bank of India Act, 1934?
 (a) 45N section (b) 45B section
 (c) 45L section (d) 45A section
 (e) 45M section
19. As on date, how many NBFC Ombudsman have been appointed?
 (a) 4 (b) 2
 (c) 3 (d) 5
 (e) None of these
20. In which city(s) NBFC Ombudsman have been appointed?
 (a) Chennai (b) Kolkata
 (c) New Delhi (d) Mumbai
 (e) All of the above

Solutions

1. **(a):** The Banking Ombudsman Scheme is introduced under Section 35 A of the Banking Regulation Act, 1949 by RBI with effect from 1995
2. **(c):** The Banking Ombudsman Scheme is introduced under Section 35 A of the Banking Regulation Act, 1949 by RBI with effect from 1995
3. **(d):** The Banking Ombudsman Scheme was first introduced in India in 1995, and was revised in 2002.
4. **(b):** Presently the Banking Ombudsman Scheme 2006 (As amended upto July 1, 2017) is in operation.
5. **(b):** The Banking Ombudsman Scheme was introduced under Section 35 A of the Banking Regulation Act, 1949 by RBI with effect from 1995.
6. **(a):** The Banking Ombudsman is a senior official appointed by the Reserve Bank of India to redress customer complaints against deficiency in certain banking services covered under the grounds of complaint specified under Clause 8 of the Banking Ombudsman Scheme 2006
7. **(c):** As on date, 22 Banking Ombudsman have been appointed with their offices located mostly in state capitals

- 8. (a):** The Banking Ombudsman is a senior official appointed by the Reserve Bank of India
- 9. (d):** The Banking Ombudsman may award compensation not exceeding ₹ 1 lakh (₹ One Hundred Thousand) to the complainant for mental agony and harassment.
- 10. (c):** The Banking Ombudsman is a senior official appointed by the Reserve Bank of India to redress customer complaints against deficiency in certain banking services
- 11. (a):** The Banking Ombudsman does not charge any fee for filing and resolving customers' complaints.
- 12. (d):** for any loss suffered by the complainant is limited to the amount arising directly out of the act or omission of the bank or Rs. 20 lakhs, whichever is lower.
- 13. (e):** the award or decision of the Banking Ombudsman rejecting the complaint within 30 days of the date of receipt of the Award.
- 14. (c):** Appellate Authority' means the Deputy Governor in charge of the Department to handle all the complaints.
- 15. (a):** The NBFC Ombudsman may award compensation not exceeding rupees 10 lakh to the complainant for causing mental agony and harassment.
- 16. (b):** within a period of one month, the Banking Ombudsman proceeds further to pass an Award
- 17. (d):** The Scheme is being introduced under Section 45 L of the Reserve Bank of India Act, 1934.
- 18. (c):** The Scheme is being introduced under Section 45 L of the Reserve Bank of India Act, 1934, with effect from February 23, 2018.
- 19. (a):** four NBFC Ombudsman have been appointed with their offices located at Chennai, Kolkata, New Delhi and Mumbai.
- 20. (e):** four NBFC Ombudsman have been appointed with their offices located at Chennai, Kolkata, New Delhi and Mumbai.



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Introduction about the Instruments

- The NI Act, 1881, defines a **Negotiable Instrument as a promissory note, Bill of Exchange or cheque.**
- A **Bill of Exchange** is an instrument in writing containing an unconditional order, signed by the maker, directing a certain person to pay a certain sum of money only to, or to the order of, a certain person or to the bearer of the instrument.
- A **cheque is a Bill of Exchange** drawn on a specified banker and not expressed to be payable otherwise than on demand. The maker of a **cheque is called the 'drawer', and the person directed to pay is the 'drawee'**. The person named in the instrument, to whom or to whose order **the money is, by the instrument directed, to be paid, is called the 'payee'**.
- A cheque is a Negotiable Instrument, which can be further negotiated by means of endorsement and is payable on demand.
- **The Demand Draft** is a pre-paid Negotiable Instrument, wherein the drawee bank undertakes to make payment in full when the instrument is presented by the payee for payment. The demand draft is made payable on a specified branch of a bank at a specified centre.
- **Banker's cheque** is another payment instrument which was used by banks to settle payment obligations on behalf of their customers. This instrument is guaranteed by the bank for its full value and is similar to a demand draft.
- **Travellers cheques** are a secure and convenient alternative to carrying cash. These are prepaid instruments available in fixed denominations. The holder of the Travellers cheque is required to sign the instrument upon purchase and again in the presence of the merchant establishment at the time of making payment or realising proceeds thereof.

Definition of a Cheque

A cheque is defined in Sec 6 of NI Act as under:

- A cheque is a bill of exchange drawn on a specified banker
- Payable on demand
- Drawn on a specified banker
- Electronic image of a truncated cheque is recognized under law. The Information Technology Act, 2002 recognizes (a) digital signatures and (b) electronic transfer as well.

Parties in Cheque Transaction

There are three parties in Cheque Transaction – Drawer, Drawee and Payee.

- **Drawer (Maker of Cheque):** Person who issues the cheque or holds the account with the bank.
- **Drawee:** Person who is directed to make the payment against cheque. In case of cheque, it is a bank.
- **Payee:** Person whose name is mentioned in the cheque or to whom the drawee makes payment.

Other Points.

- **Endorser:** The person who transfers his right to another person
- **Endorsee:** The person to whom the right is transferred

What are the types of Cheque?

- **Open / Bearer Cheque**
- **Bearer Cheque**
- **Crossed Cheque**
- **Ante-Dated Cheque**
- **Post-Dated Cheque**
- **Stale Cheque**

Open / Bearer Cheque

- This type of Cheques are risky in nature for a drawer.
- When the word "Bearer" on the cheque is not crossed or cancelled, the cheque is called a bearer cheque.
- These are payable to the person specified in the instrument or any person who possesses it and present for payment over the counter.
- In case of cheque is lost, the person who finds it can collect payment from the bank.

Bearer Cheque

- When the word "Bearer" written on cheque is crossed or cancelled it becomes bearer cheque.
- It is payable to a specified person named in the cheque or any other to whom it is endorsed.

Crossed Cheque/ Account Payee Cheque

- The person who issues or writes the cheque specifies it as an account payee by simply making two parallel lines on top left or middle or right-hand corner of the cheque.
- This type of cheque cannot be encashed over the counter.
- Considered as the safest type of cheque, it can only be credited to the payee's account whose name is mentioned in the Cheque.

Ante-Dated Cheque

- Cheque bearing the date earlier than the date of presentation for payment is known as an ante-dated cheque.

Note: All Types of Cheque are valid for three months from the date of issue (or written on cheque).

Post-Dated Cheque

- Cheque bearing the date which is yet to come in future is called Post Dated Cheque.
- Cheque is honored only on or after the date (upto three months) written on cheque.

Stale Cheque

- A Cheque turns stale after three months of the date written on cheque. A Stale Cheque cannot be honored by the bank.

What is Crossing of a Cheque?

- Crossing is an 'instruction' given to the paying banker to pay the amount of the cheque only through account credit.
- A cheque bearing such an instruction is called a 'crossed cheque'.
- **Section 123 to 131 of the Negotiable Instruments Act** contains provisions relating to crossing.
- As per Section 131-A, these Sections are also applicable in case of drafts.

What are the different types of Crossing?

GENERAL CROSSING

- In this type of crossing the cheque must contain two parallel transverse lines. They could be put anywhere on the cheque. Generally, we put it on the top left of the cheque. The effect of this crossing is that the cheque must be paid only to the banker.

SPECIAL CROSSING

- The cheque must contain the name of the banker. It may be made only once.
- The effect of this crossing is that the cheque must be paid only to the banker to whom it is crossed. Please note that special crossing cannot be converted into general crossing.

NOT NEGOTIABLE CROSSING

- In this type of crossing, the cheque must contain the words 'not negotiable'. The cheque must be crossed generally or specially.
- The effect of this crossing is that the cheque nevertheless remains negotiable (transferrable) and the title of the transferred shall not be better than title of transferor.

ACCOUNT PAYEE CROSSING

- This is also called restrictive crossing. The cheque must contain the words 'account payee' or 'account payee only'.
- The cheque must be crossed generally or specially. The effect of this type of crossing is that the cheque does not remain negotiable anymore.

What is Cheque Truncation?

- Truncation is the process of stopping the flow of the physical cheque issued by a drawer at some point by the presenting bank en-route to the paying bank branch.
- In its place an electronic image of the cheque is transmitted to the paying branch through the clearing house, along with relevant information like data on the MICR band, date of presentation, presenting bank, etc.
- Cheque Truncation speeds up the process of collection of cheques resulting in better service to customers, reduces the scope of loss of instruments in transit, lowers the cost of collection of cheques, and removes reconciliation-related and logistics-related problems, thus benefiting the system as a whole.

What is Cheque Standardisation and what does CTS 2010 Standard mean?

- Standardisation of cheque forms (leaves) in terms of size, MICR band, quality of paper, etc., was one of the key factors that enabled mechanisation of cheque processing.
- Benchmarks towards achieving standardisation of cheques issued by banks across the country have been prescribed like – quality of paper, watermark, bank's logo in invisible ink, void pantograph, etc., and standardisation of field placements on cheques. The homogeneity in security features is expected to act as a deterrent against cheque frauds, while the standardisation of field placements on cheque forms would enable straight-through-processing by use of optical / image character recognition technology. The benchmark prescriptions are collectively known as "CTS-2010 standard".
- All banks providing cheque facilities to their customers have been advised to issue only 'CTS-2010' standard cheques.

What is an IRD?

- Under CTS, after the capture of the image, the physical cheque would be warehoused with the presenting bank. In case the beneficiary or any other connected persons require the instrument, the payee bank could issue a copy of the image, under its authentication, which is called Image Replacement document.
- It is a legally recognized replacement of the original cheque for re-presentation.

ENDORSEMENT

- As per Section 15, endorsing means signing on the face or backside of an instrument (or even on a paper called Allonge or stamped paper), for the purpose of negotiating (transferring to next person) a negotiable instrument.

Endorsement in full

- If an endorser signs his name & adds a direction to pay the amount mentioned in the instrument to, or to order of, a specified person, the endorsement is said to be in full. Blank endorsements can be converted into full.

Restrictive endorsement

- Where an endorsement prohibits & restricts further negotiability of the instrument, it is called restricted endorsement.
- The words 'Pay to Ashish only' or 'Pay to Ashish for my use' or 'Pay to Ashish for account of B', are the cases of restrictive endorsement.

Exercise

1. A cheque is defined under which act?
 - (a) Indian Contract Act, 1872
 - (b) Company act 2013
 - (c) Negotiable Instruments Act, 1881
 - (d) Information Technology Act, 2000
 - (e) None of these
2. A cheque is defined under ___ of Negotiable Instrument Act, 1881
 - (a) Section 5
 - (b) Section 6
 - (c) Section 4
 - (d) Section 1
 - (e) None of these
3. A person who signs on the face of the cheque is known as ____
 - (a) Payer
 - (b) Buyer
 - (c) Payee
 - (d) Drawer
 - (e) None of these
4. The cheque which has completed three months from its date of issue is known as
 - (a) STALE CHEQUE
 - (b) Account Payee Cheque
 - (c) Post dated cheque
 - (d) Banker's cheque
 - (e) Traveler's cheque
5. ____ is the process of stopping the flow of the physical cheque issued by a drawer at some point by the presenting bank.
 - (a) Endorsement
 - (b) Standardisation
 - (c) Truncation
 - (d) Crossing
 - (e) None of these
6. A cheque which is payable to a person whosoever bears it is known as?
 - (a) Traveler's cheque
 - (b) Account Payee Cheque
 - (c) Post dated cheque
 - (d) Banker's cheque
 - (e) Bearer Cheque
7. If neither the word "bearer" or "order" is written on a cheque, payment will be made by treating it as
 - (a) Banker's cheque
 - (b) Account Payee Cheque
 - (c) Post dated cheque
 - (d) An order cheque
 - (e) Traveler's cheque
8. In our country, a cheque remains valid for payment for ____ from the date of issue.
 - (a) 6 months
 - (b) 3 months
 - (c) 12 months
 - (d) 4 months
 - (e) None of these
9. When a bank returns a cheque unpaid, it is called
 - (a) cancel of cheque
 - (b) cheque bounce
 - (c) dishonor of the cheque
 - (d) clearance of cheque
 - (e) None of these
10. In a cheque the amount written in figures(numbers) is called ____ .
 - (a) Normal amount
 - (b) Syndicated amount
 - (c) Courtesy Amount
 - (d) Special amount
 - (e) None of these
11. A cheque issued on 20th August 2018 May bear a date 5th August 2018, the cheque is known as
 - (a) Ante-dated Cheques
 - (b) Post- dated cheque
 - (c) Pre dated cheque
 - (d) Banker's cheque
 - (e) None of these
12. Which of the following is a process in which a cheque is transferred to a name of another person by signing on the cheque along with the name of the person to whom the cheque is being transferred is known as?
 - (a) Clearing
 - (b) Endorsement
 - (c) Acceptance
 - (d) Banking
 - (e) None of these
13. Which cheque is known as "Banker's cheque"?
 - (a) Demand draft
 - (b) Commercial paper
 - (c) Company paper
 - (d) Bond paper
 - (e) None of these

Solutions

1. **(c):** The Negotiable Instruments Act, 1881 defines the „Cheque“ as. under: A „cheque“ is a bill of exchange drawn on a. specified Banker and not expressed to be payable otherwise than on demand.
2. **(b):** As defined under section 6 of the NI Act, 1881, a “cheque” is a bill of exchange drawn on a specified banker and not expressed to be payable otherwise than on demand and it includes the electronic image of a truncated cheque and a cheque in the electronic form.
3. **(d):** The maker of a bill of exchange or cheque is called the “drawer
4. **(a):** A cheque becomes stale after lapse of three months from the date of the cheque if it is not presented for payment by the payee or the holder of the cheque to the bank on which the cheque is drawn.

5. **(c):** Cheque truncation is a cheque clearance system that involves the digitalisation of a physical paper cheque into a substitute electronic form for transmission to the paying bank.
6. **(e):** Bearer cheque can be transferred by mere delivery; they need no endorsement. In simple words a cheque which is payable to any person who presents it for payment at the bank counter is called 'Bearer cheque
7. **(d):** When the word "or bearer" printed on the cheque is cancelled, the cheque is called an order cheque. An order cheque is one which is payable to a particular person. The payee can transfer an order cheque to someone else by signing his or her name on the back of it.
8. **(b):** The validity of a cheque is estimated to be within a period of three months from the date on which it is drawn.
9. **(c):** A cheque is said to be honoured, if the banks give the amount to the payee. While, if the bank refuses to pay the amount to the payee, the cheque is said to be dishonoured.
10. **(c):** The amount written in numbers is supposed to be for courtesy purposes only and is therefore called "courtesy amount"
11. **(a):** Ante means before. A post dated check is one that has a date on it later than today.
12. **(b):** Endorsement means signing of one's name on the back of a cheque.
13. **(a):** A banker's draft is a cheque provided to a customer of a bank or acquired from a bank for remittance purposes, that is drawn by the bank, and drawn on another bank or payable through or at a bank.



- ACF Auto-Correlation Function
- AD Authorized Dealer
- ADB Asian Development Bank
- ADR American Depository Receipt
- AFS Annual Financial Statement
- AGM Annual General Meeting
- AIRCSC All India Rural Credit Survey Committee
- AO Additive Outliers
- AR Auto Regression
- ARIMA Auto-Regressive Integrated Moving
- Average
- AFS Available For Sale
- ASSOCHAM Associated Chambers of Commerce and Industry of India
- ATM Asynchronous Transfer Mode
- ATM Automated Teller Machine
- BIS Bank for International Settlements
- BOI Bank of India
- BoP Balance of Payments
- BSCS Basel Committee on Banking Supervision
- BSR Basic Statistical Returns
- CAD Capital Account Deficit
- CAG Comptroller and Auditor General of India
- CBS Consolidated Banking Statistics
- CC Cash Credit
- CD Certificate of Deposit
- CD Ratio Credit Deposit Ratio
- CDBS Committee of Direction on Banking Statistics
- CF Company Finance
- CFRA Combined Finance and Revenue Accounts
- CGRA Currency and Gold Revaluation Account
- CII Confederation of Indian Industries
- CO Capital Outlay
- CP Commercial Paper
- CPI Consumer Price Index
- CPI-IW Consumer Price Index for Industrial Workers
- CR Capital Receipts
- CRAR Capital to Risk Weighted Asset Ratio
- CRR Cash Reserve Ratio
- CSIR Council of Scientific and Industrial Research
- CSO Central Statistical Organisation
- CVC Central Vigilance Commission
- DAP Development Action Plan
- DBOD Department of Banking Operations and Development

- DBS Department of Banking Supervision, RBI
- DCB Demand Collection and Balance
- DCCB District Central Cooperative Bank
- DCM Department of Currency Management, RBI
- DD Demand Draft
- DDS Data Dissemination Standards
- DEIO Department of External Investments and Operations
- DESACS Department of Statistical Analysis & Computer Services, RBI
- DGBA Department of Government and Bank Accounts, RBI
- DGCI&S Directorate General of Commercial Intelligence and Statistics
- DI Direct Investment
- DICGC Deposit Insurance and Credit Guarantee Corporation of India
- DID Discharge of Internal Debt
- DMA Departmentalized Ministries Account
- DRI Differential Rate of Interest Scheme
- DSBB Dissemination Standards Bulletin Board
- DVP Delivery versus Payment
- ECB External Commercial Borrowing
- ECB European Central Bank
- ECGC Export Credit and Guarantee Corporation
- ECS Electronic Clearing Scheme
- EDMU External Debt Management Unit
- EEA Exchange Equalization Account
- EEC European Economic Community
- EEFC Exchange Earners Foreign Currency
- EFR Exchange Fluctuation Reserve
- EPF Employees Provident Fund
- EUR Euro
- EXIM Bank Export Import Bank of India
- FCA Foreign Currency Assets
- FCCB Foreign Currency Convertible Bond
- FCNR(B) Foreign Currency Non-resident (Banks)
- FCNRA Foreign Currency Non-resident Account
- FCNRD Foreign Currency Non-Repatriable Deposit
- FDI Foreign Direct Investment
- FEMA Foreign Exchange Management Act
- FI Financial Institution
- FICCI Federation of Indian Chambers of Commerce and Industry
- FII Foreign Institutional Investor
- FIMMDA Fixed Income Money Market and Derivatives Association of India
- FISIM Financial Intermediation Services Indirectly Measured
- FLAS Foreign Liabilities and Assets Survey
- FOF Flow Of Funds
- FPI Foreign Portfolio Investment
- FRA Forward Rate Agreement
- **FRBM** Fiscal Responsibility and Budget Management Act, 2003
- **FRN** Floating Rate Note
- **FSS** Farmers' Service Societies
- **FWG** First Working Group on Money supply

- GDP Gross Domestic Product
- GDR Global Depository Receipt
- GFD Gross Fiscal Deficit
- GFS Government Finance Statistics
- GIC General Insurance Corporation
- GLS Generalized Least Squares
- GNIE Government Not Included Elsewhere
- GoI Government of India
- GPD Gross Primary Deficit
- G-Sec Government Securities
- HDFC Housing Development Finance Corporation
- HFT Held For Trading
- HICP Harmonised Index of Consumer Prices
- HUDCO Housing & Urban Development Corporation
- IBRD International Bank for Reconstruction and Development
- IBS International Banking Statistics
- ICAR Indian Council of Agricultural Research
- ICICI Industrial Credit and Investment Corporation of India
- ICMR Indian Council of Medical Research
- IDB India Development Bonds
- IDBI Industrial Development Bank of India
- IDD Industrial Development Department
- IFAD International Fund for Agricultural Development
- IFC International Finance Corporation
- IFCI Industrial Finance Corporation of India
- IFR Investment Fluctuation Reserve Account
- IFS International Financial Statistics
- IGLS Iterative Generalized Least Squares
- IIBI Industrial Investment Bank of India
- IIP Index of Industrial Production
- IIP/InIP International Investment Position
- IMD India Millennium Deposits
- IMF International Monetary Fund
- IRBI Industrial Reconstruction Bank of India
- ISDA International Swaps and Derivative Association
- ISIC International Standard Industrial Classification
- ISO International Standards Organization
- ITRS International Transaction Reporting System
- IWGEDS International Working Group on External Debt Statistics
- KVIC Khadi & Village Industries Corporation
- LAF Liquidity Adjustment Facility
- LAMPS Large-sized Adivasi Multipurpose Societies
- LBD Land Development Bank
- LBS Locational Banking Statistics
- LERMS Liberalised Exchange Rate Management System
- LIC Life Insurance Corporation of India
- LS Level Shift
- LT Long Term
- LTO Long Term Operation

- M1 Narrow Money
- M3 Broad Money
- MA Moving Average
- MCA Ministry of Company Affairs
- MIGA Multilateral Investment Guarantee Agency
- MIS Management Information System
- MMSE Minimum Mean Squared Errors
- MoF Ministry of Finance
- MOF Master Office File
- MRM Monitoring and Review Mechanism
- MSS Market Stabilisation Scheme
- MT Mail Transfer
- MTM Mark-To-Market
- NABARD National Bank for Agriculture and Rural Development
- NAC(LTO) National Agricultural Credit (LongTerm Operation)
- NAS National Account Statistics
- NASSCOM National Association of Software and Services Companies
- NBC Non-Banking Companies
- NBFC Non Banking Financial Companies
- NEC Not Elsewhere Classified
- NEER Nominal Effective Exchange Rate
- NFA Non-Foreign Exchange Assets
- NFD Net Fiscal Deficit
- NGO Non-Governmental Organization
- NHB National Housing Bank
- NIC National Industrial Classification
- NIF Note Issuance Facility
- NNML Net Non-Monetary Liabilities
- NPA Non-Performing Assets
- NPD Net Primary Deficit
- NPRB Net Primary Revenue Balance
- NPV Net Present Value
- NR(E)RA Non-Resident (External) Rupee Account
- NR(NR)RA Non-Resident (Non-Repatriable) Rupee Account
- NRE Non-Resident External
- NRG Non-Resident Government
- NRI Non-Resident Indian
- NSC National Statistical Commission
- NSSF National Small Savings Fund
- OD Over Draft
- ODA Official Development Assistance
- OECD Organisation for Economic Cooperation and Development
- OECO Organisation for Economic Cooperation
- OFI Other Financial Institutions
- OLTA OnLine Tax Accounting System
- OMO Open Market Operations
- PACF Partial Auto-Correlation Function
- PACS Primary Agriculture Credit Societies
- PCARDB Primary Cooperative Agriculture and Rural Development Bank

- PD Primary Deficit
- PDAI Primary Dealers Association of India
- PDO Public Debt Office
- PDO-NDS Public Debt Office-cum-Negotiated
- Dealing System
- PDs Primary Dealers
- PF Provident Fund
- PIO Persons of Indian Origin
- PNB Punjab National bank
- PRB Primary Revenue Balance
- PSE Public Sector Enterprises
- PUC Paid Up Capital
- QRR Quick Review Report
- RBI Reserve Bank of India
- RD Revenue Deficit
- RDBMS Relational Database Management System
- RE Revenue Expenditure
- REC Rural Electrification Corporation
- REER Real Effective Exchange Rate
- RFC Residents Foreign Currency
- RIB Resurgent India Bonds
- RIDF Rural Infrastructure Development Fund
- RLA Recoveries of Loans & Advances
- RLC Repayment of Loans to Centre
- RNBC Residuary Non-Banking Companies
- RoCs Registrars of Companies
- RPA Rupee Payment Area
- RPCD Rural Planning and Credit Department, RBI
- RR Revenue Receipts
- RRB Regional Rural Bank
- RTP Reserve Tranche Position
- RWA Risk Weighted Asset
- SAM Social Accounting Matrix
- SAS Statistical Analysis System
- SCARDB State Cooperative Agriculture and Rural Development Bank
- SCB State Cooperative Bank
- SCB Scheduled Commercial Bank
- SDDS Special Data Dissemination Standards
- SDR Special Drawing Right
- SEBI Securities and Exchange Board of India
- SEBs State Electricity Boards
- SFC State Financial Corporation
- SGSY Swarnajayanthi Gram Swarajgar Yojana
- SHGs Self-Help Groups
- SIDBI Small Industries Development Bank of India
- SIDC State Industrial Development Corporation
- SJSRY Swarna Jayanti Shahari Rojgar Yojana
- SLR Statutory Liquidity Ratio
- SLRS Scheme for Liberation & Rehabilitation of Scavengers

- SMG Standing Monitoring Group
- SNA System of National Accounts
- SRWTO Small road & Water Transport Operators
- SSI Small-Scale Industries
- SSSBEs Small Scale Service & Business Enterprises
- TBs Treasury Bills
- UBB Uniform Balance Book
- UBD Urban Banks Department
- UCB Urban Cooperative Bank
- UCN Uniform Code Number
- UTI Unit Trust of India
- VC Venture Capital
- WPI Wholesale Price Index
- YTM Yield to Maturity

Exercise

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|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>1. In Financial terms, BoP stands for?
 (a) Balance of Payments (b) Bank of Payments
 (c) Bank of Pricing (d) Balance of Prices
 (e) Balance of Products</p> <p>2. The aberration GFD stands for?
 (a) Gross Financial Deficit
 (b) Gross Fiscal Deficit
 (c) Government Fiscal Deficit
 (d) Generalized Fiscal Deficit
 (e) Global Fiscal Deficit</p> <p>3. The aberration CII stands for?
 (a) Confederation of Indian Industries
 (b) Commercialization of Indian Industries
 (c) Capitalization of Indian Industries
 (d) Consumerization of Indian Industries
 (e) Cooperation of Indian Industries</p> <p>4. The aberration CAD stands for?
 (a) Consumer's Account Deficit
 (b) Company's Account Deficit
 (c) Corporation's Account Deficit
 (d) Capital Account Deficit
 (e) Commercial Account Deficit</p> <p>5. The aberration CPI-IW stands for?
 (a) Consumer Price Index for Informal Workers
 (b) Customer Price Index for Industrial Work
 (c) Consumer Price Index for Industrial Workers
 (d) Customer Price Index for Institutional Workers
 (e) Consumer Price Index for Industrial Workmans</p> <p>6. The aberration FICCI stands for?
 (a) Federation of Indian Chambers of Commerce and Industry</p> | <p>(b) Foundation of Indian Chambers of Commerce and Industry</p> <p>(c) Founders of Indian Chambers of Commerce and Industry</p> <p>(d) Formation of Indian Chambers of Commerce and Industry</p> <p>(e) Finances of Indian Chambers of Commerce and Industry</p> <p>7. The aberration OECO stands for?
 (a) Organisation for Economic Countries
 (b) Operation for Economic Cooperation
 (c) Operation for Economic Capitalization
 (d) Organisation for Economic Contribution
 (e) Organisation for Economic Cooperation</p> <p>8. The aberration RPA stands for?
 (a) Rural Payment Area (b) Recovery Payment Area
 (c) Rupee Payment Area (d) Revenue Payment Area
 (e) Reserve Payment Area</p> <p>9. The aberration SCB stands for?
 (a) State Commercial Bank
 (b) Special Cooperative Bank
 (c) Special Commercial Bank
 (d) State Cooperative Bank
 (e) Scheduled Cooperative Bank</p> <p>10. The aberration SDR stands for?
 (a) Special Depository Right
 (b) Special Drawee Right
 (c) Special Drawing Right
 (d) Special Drafting Right
 (e) Special Deficit Right</p> |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

Solutions

1. **(a):** BoP stands for Balance of Payments
2. **(b):** GFD stands for Gross Fiscal Deficit
3. **(a):** CII stands for Confederation of Indian Industries
4. **(d):** CAD stands for Capital Account Deficit
5. **(c):** CPI-IW stands for Consumer Price Index for Industrial Workers
6. **(a):** FICCI stands for Federation of Indian Chambers of Commerce and Industry
7. **(e):** OECO stands for Organisation for Economic Cooperation
8. **(c):** RPA stands for Rupee Payment Area
9. **(d):** SCB stands for State Cooperative Bank
10. **(c):** SDR stands for Special Drawing Right



Function of RBI as the Issuer of Currency

- RBI is the nation's sole note issuing authority. Along with the Government of India, it is responsible for the design, production and overall management of the nation's currency, with the goal of ensuring an adequate supply of clean and genuine notes.
- The Government of India is the issuing authority of coins and supplies coins to the Reserve Bank on demand.
- RBI puts the coins into circulation on behalf of the Central Government.
- The Department of Currency Management at Central Office, Mumbai, in cooperation with the Issue Departments of the Reserve Bank's Regional Offices across India oversees currency management. The function includes supplying and distributing adequate quantities of currency throughout the country and ensuring the quality of banknotes in circulation by continuous supply of clean notes and timely withdrawal of soiled notes.
- The method which is used currently in India to issue currency notes – minimum reserve system. For issuing notes, RBI is required to hold the minimum reserves of Rs. 200 crores of which note less than Rs. 115 crores is to be held in gold.

Note: Currency chests are extended arms of the Reserve Bank Issue Departments and are responsible for meeting the currency requirements of their respective regions.

The Printing and the Minting Presses

- Four printing presses print and supply banknotes. These are at Dewas in Madhya Pradesh, Nasik in Maharashtra, Mysore in Karnataka, and Salboni in West Bengal.
- The presses in **Madhya Pradesh and Maharashtra are owned by the Security Printing and Minting Corporation of India (SPMCIL)**, a wholly owned company of the Government of India.
- The presses in **Karnataka and West Bengal are owned by the Bharatiya Reserve Bank Note Mudran Private Limited (BRBNMPL)**, a wholly owned subsidiary of the RBI.
- Coins are minted by the Government of India. RBI is the agent of the Government for distribution, issue and handling of coins.
- Four mints are in operation: Mumbai in Maharashtra, Noida in Uttar Pradesh, Kolkata, and Hyderabad.

A Brief on RBI's Clean Note Policy

- It is an **Education campaign on preferred way to handle notes**: no stapling, writing, excessive folding and the like
- **Timely removal of soiled notes**: use of currency verification and processing systems and sorting machines
- **Exchange facility for torn, mutilated or defective notes**: at all branches of commercial banks.

Denominations of coins and notes in circulation

Coins in circulation: 50 paise, 1, 2, 5 and 10 Rupee



Notes in circulation: Rs. 5, 10, 20, 50, 100, 500 and 2000



Important Key Points

- Bank notes are legal tender at any place in India for payment without limit. As per the Indian Coinage Act:
 - a coin of any denomination not lower than one rupee, for any sum not exceeding one thousand rupees;
 - a half-rupee coin, for any sum not exceeding ten rupees;
 - any other coin, for any sum not exceeding one rupee:
- Provided that the coin has not been defaced and has not lost weight so as to be less than such weight as may be prescribed in its case.

New Currency Notes Introduced by RBI

RBI Introduced ₹10 banknote in Mahatma Gandhi (New) Series



- RBI issued ₹10 denomination banknotes in the Mahatma Gandhi (New) Series, bearing the signature of Dr. Urjit R. Patel, Governor, RBI.
- The new denomination has the motif of Sun Temple, Konark on the reverse, depicting the country's cultural heritage.
- The base colour of the note is Chocolate Brown.
- The note has other designs, geometric patterns aligning with the overall colour scheme, both at the obverse and reverse.
- All the banknotes in the denomination of ₹10/- issued by the Reserve Bank in the earlier series will continue to be legal tender.

The Most Important Features

- Obverse (Front):** Ashoka Pillar emblem on the right.
- Reverse (Back):** Swachh Bharat logo with slogan, Motif of Sun Temple, Konark.
- The Dimensions of the banknote** will be 63 mm x 123 mm.

RBI introduced ₹200 denomination Banknote



- RBI issued ₹200 denomination banknotes in the Mahatma Gandhi (New) Series, bearing the signature of Dr. Urjit R. Patel, Governor, RBI.
- It has the Motif of Sanchi Stupa on the reverse, depicting the country's cultural heritage.
- The base colour of the note is Bright Yellow.

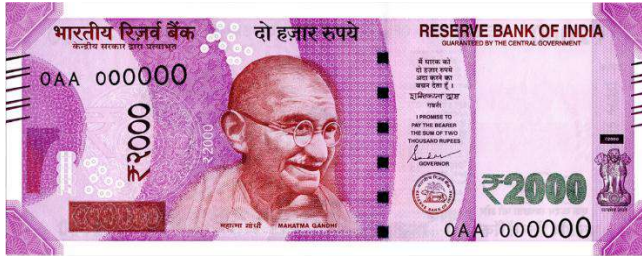
The Most Important Features

- Obverse (Front):** Windowed security thread with inscriptions 'भारत' and RBI with colour shift.
- Colour of the thread changes from green to blue when the note is tilted.
- Ashoka Pillar emblem on the right

For visually impaired

- **Intaglio or raised printing of Mahatma Gandhi portrait, Ashoka Pillar emblem, raised Identification mark H** with micro-text H 200, four angular bleed lines with two circles in between the lines both on the right and left sides
- **Reverse (Back):** Motif of Sanchi Stupa
- **Dimension of the banknote** will be 66 mm × 146 mm

RBI issued ₹2000 denomination Banknote

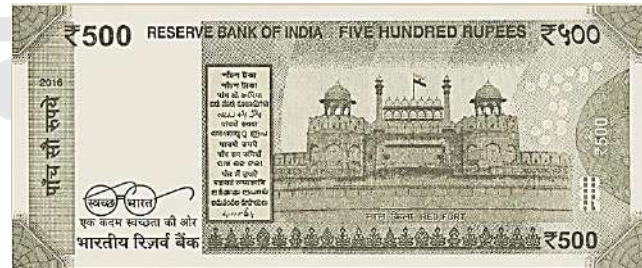


- RBI issued Rs. 2000 denomination banknotes in the Mahatma Gandhi (New) Series, without the inset letter, bearing signature of Dr. Urjit R. Patel, Governor, Reserve Bank of India, and the year of printing '2016' printed on the reverse of the banknote.
- It has Motif of Mangalyaan on the reverse, depicting the country's first venture into interplanetary space.
- The base colour of the note is magenta.

Most Important Features

- Ashoka Pillar emblem on the right.
- **For visually impaired:** Intaglio or raised printing of Mahatma Gandhi portrait, Ashoka Pillar emblem, bleed lines and identity mark.
- **Reverse (Back):** Swachh Bharat logo with slogan | Motif of Mangalayan
- **Dimension of the banknote:** 66 mm × 166 mm

RBI issued ₹500 Note



- RBI issued Rs. 500 denomination banknotes in Mahatma Gandhi (New) Series with inset **letter 'E' in both the number panels, bearing the signature of Dr. Urjit R. Patel, Governor, RBI.**
- Swachh Bharat Logo printed on the reverse of the Banknote. The principal features are: Size is 66mm x150mm| The colour is stone grey| Red Fort-an image of an Indian heritage site with the Indian flag on the reverse.

COINS

- The Government of India has the sole right to mint coins.
- The responsibility for coinage vests with the Government of India in terms of the Coinage Act, 1906 as amended from time to time.
- The designing and minting of coins in various denominations is also the responsibility of the Government of India.
- Coins are minted at the four India Government Mints at Mumbai, Alipore(Kolkata), Saifabad(Hyderabad), Cheralpally (Hyderabad) and NOIDA (UP).
- The coins are issued for circulation only through the Reserve Bank in terms of the RBI Act.

Denominations

- Coins in India are presently being issued in denominations of 50 paise, one rupee, two rupees, five rupees and ten rupees.
- Coins up to 50 paise are called 'small coins' and coins of Rupee one and above are called 'Rupee Coins'.
- Coins in the denomination of 1 paise, 2 paise, 3 paise, 5 paise, 10 paise, 20 paise and 25 paise have been withdrawn from circulation with effect from June 30, 2011 and are, therefore, no longer legal tender.
- Coins can be issued up to the denomination of Rs.1000 as per the Coinage Act, 1906.

A Small Brief on the Type of Notes or Currency?

- **Government note:** means any note issued by the Central Government or supplied by the Central Government to the Bank and issued by the Bank, provided the liability for the payment of the value in respect of such note has devolved on and been taken over by the Bank.
- **Imperfect Note:** means any note, which is wholly or partially, obliterated, shrunk, washed, altered or indecipherable but does not include a mutilated note.
- **Mutilated note:** means a note of which a portion is missing or which is composed of more than two pieces.
- **Mismatched note:** means a mutilated note which has been formed by joining a half note of any one note to a half note of another 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.

A Brief on the Printed Currency

- Banknotes in India are currently being issued in the denomination of ₹10, ₹20, ₹50, ₹100, ₹ 200, ₹500 and ₹2000.
- These notes are called banknotes as they are issued by the Reserve Bank of India (Reserve Bank).
- The printing of notes in the denominations of ₹2 and ₹5 has been discontinued as these denominations have been coinised. However, such banknotes issued earlier can still be found in circulation and these banknotes continue to be legal tender.
- Re. 1 is also not being printed since long due to coinisation. However, the Central Government reintroduced this note. Re. 1 notes issued in the past also continue to be legal tender for transactions.

Important Key Points

- The symbol of the Indian Rupee is ₹.
- The design resembles both the Devanagari letter "₹" (ra) and the Latin capital letter "R", with a double horizontal line at the top.
- RBI can also issue banknotes in the denominations of five thousand rupees and ten thousand rupees, or any other denomination that the Central Government may specify. However, there cannot be banknotes in denominations higher than ten thousand rupees in terms of the current provisions of the Reserve Bank of India Act, 1934.
- Coins can be issued up to the denomination of ₹ 1000 in terms of The Coinage Act, 2011.

Demonetization of higher denomination banknotes.

- ₹1000 and ₹10000 banknotes, which were then in circulation were demonetized in January 1946.
- The higher denomination banknotes in ₹1000, ₹5000 and ₹10000 were reintroduced in the year 1954, and these banknotes (₹1000, ₹5000 and ₹10000) were again demonetized in January 1978.

What is legal tender?

- The coins issued under the authority of Section 6 of The Coinage Act, 2011, shall **be legal tender in payment or on account i.e.** provided that a **coin has not been defaced and has not lost weight so as to be less than such weight** as may be prescribed in its case: -
 - (a) coin of any denomination not lower than one rupee shall be legal tender for any sum,
 - (b) half rupee coin shall be legal tender for any sum not exceeding ten rupees,
- Every banknote issued by Reserve Bank of India (₹2, ₹5, ₹10, ₹ 20, ₹50, ₹100, ₹200 ₹500 and ₹2000) shall be legal tender at any place in India in payment or on account for the amount expressed therein, and shall be guaranteed by the Central Government, subject to provisions of sub-section (2) Section 26 of RBI Act, 1934.

Why is One Rupee liability of the Government of India?

- The One Rupee notes issued under the Currency Ordinance, 1940 are also legal tender and included in the expression Rupee coin for all the purposes of the Reserve Bank of India Act, 1934.
- Since the rupee coins issued by the Government constitute the liabilities of the Government, one rupee is also the liability of the Government of India.

What was the highest denomination note ever printed?

- The highest denomination note ever printed by the Reserve Bank of India was the ₹10000 note in 1938 and again in 1954. These notes were demonetized in 1946 and again in 1978.

Who is responsible for changing the design of coins from time to time?

The Government of India is responsible for the designing and minting of coins in various denominations.

What is currency paper made of?

Currency paper is composed of cotton and cotton rag.

Who decides on the volume and value of banknotes to be printed and on what basis?

- RBI based on the demand requirement indicates the volume and value of banknotes to be printed each year to the Government of India which get finalized after mutual consultation.
- The quantum of banknotes to be printed, broadly depends on the requirement **for meeting the demand for banknotes, GDP growth, replacement of soiled banknotes, reserve stock requirements, etc.**
- The Government of India decides on the quantity of coins to be minted on the basis of indents received from the Reserve Bank.

How does the Reserve Bank estimate the demand for banknotes?

- RBI estimates the demand for banknotes on the basis of the **growth rate of the economy, inflation rate, the replacement demand and reserve stock requirements by using statistical models/techniques.**

What is a currency chest?

- To facilitate the distribution of banknotes and rupee coins, the Reserve Bank has authorised select branches of scheduled banks to establish currency chests.
- These are actually storehouses where banknotes and rupee coins are stocked on behalf of the Reserve Bank.

What is a small coin depot?

- Some bank branches are authorised to establish Small Coin Depots to stock small coins i.e. coins below Rupee one.
- The Small Coin Depots also distribute small coins to other bank branches in their area of operation.

A Brief on Banknotes since Independence.

Ashoka Pillar Banknotes:

- The first banknote issued by independent India was the one rupee note issued in 1949.
- While retaining the same designs the new banknotes were issued with the symbol of Lion Capital of Ashoka Pillar at Sarnath in the watermark window in place of the portrait of King George.
- The name of the issuer, the denomination and the guarantee clause were printed in Hindi on the new banknotes from the year 1951.
- The banknotes in the denomination of ₹1000, ₹5000 and ₹10000 were issued in the year 1954.

Mahatma Gandhi (MG) Series 1996

- The banknotes in MG Series – 1996 were issued in the denominations of ₹5, (introduced in November 2001) ₹10 (June 1996), ₹20 (August 2001), ₹50 (March 1997), ₹100 (June 1996), ₹500 (October 1997) and ₹1000 (November 2000).
- All the banknotes of this series bear the portrait of Mahatma Gandhi on the obverse (front) side, in place of the symbol of Lion Capital of Ashoka Pillar, which has also been retained and shifted to the left side next to the watermark window.
- This means that these banknotes contain Mahatma Gandhi watermark as well as Mahatma Gandhi's portrait.

MG series – 2005 banknotes

- MG series 2005 banknotes are issued in the denomination of ₹10, ₹20, ₹50, ₹100, ₹500 and ₹1000 and contain some additional / new security features as compared to the 1996 MG series.
- The ₹50 and ₹100 banknotes were issued in August 2005, followed by ₹500 and ₹1000 denominations in October 2005 and ₹10 and ₹20 in April 2006 and August 2006, respectively.

What is a "star series" banknote?

- The Star series banknotes are exactly similar to the existing Mahatma Gandhi Series banknotes, but have an additional character viz., a *(star) in the number panel in the space between the prefix and the number as indicated below:



What is on a banknote to help visually challenged people identify the different denominations?

- Each denomination is a different size; the greater the value the larger the note. There is an identification mark on the left-hand side of each note on the front side which is in raised print (intaglio) and has different shapes for different denominations.
- Diamond for ₹1000, circle for ₹500, triangle for ₹100, square for ₹50, rectangle for ₹20 and none for ₹10.
- RBI introduced additional features in banknotes of ₹100, ₹500 and ₹1000 denomination viz; Angular Bleed Lines have been introduced in banknotes - 4 lines in 2 blocks in ₹100, 5 lines in 3 blocks in ₹500 and 6 lines in 4 blocks in ₹1000 denominations and the identification mark in these notes has been enlarged by 50%.



What is a counterfeit note?

- A suspected counterfeit note, forged note, or fake note is any note which does not possess the characteristics of genuine Indian currency note.
- Counterfeiting notes using as genuine, forged or counterfeit notes / possession of forged or counterfeit banknote / making or possessing instruments or materials for forging or counterfeiting banknotes making or using documents **resembling banknotes are offences under Sections 489A to 489E of the Indian Penal Code and are punishable in the Courts of Law by fine or imprisonment ranging from seven years to life imprisonment or both, depending on the offence.**
- Mere possession of a counterfeit note does not attract punishment. Possession of a counterfeit note knowing to be such and intending to use the same as genuine or that it may be used as genuine, is punishable under Section 489C of Indian Penal Code, 1860.

Exercise

- Which of the following is the nation's sole note issuing authority?
 - Government of India
 - Reserve Bank of India
 - State Governments of each state
 - Ministry of Finance
 - State Bank of India
- _____ is the issuing authority of coins and supplies coins to the Reserve Bank on demand.
 - IMF
 - SBI
 - Government of India
 - State Government of each state
 - BOI
- The Security Printing and Minting Corporation of India (SPMCIL) is a wholly owned company of _____.
 - Reserve Bank of India
 - Government of India
 - State Bank of India
 - Bank of India
 - Central Bank of India
- The Bharatiya Reserve Bank Note Mudran Private Limited (BRBNMPL) is a wholly owned subsidiary of the _____.
 - Government of India
 - State Bank of India
 - Central Bank of India
 - Reserve Bank of India
 - Bank of India
- Coins are minted by the _____ and _____ is the agent of the Government for distribution, issue and handling of coins.
 - RBI, SBI
 - SBI, RBI
 - CCEA, RBI
 - RBI, CCEA
 - GOI, RBI
- Bank notes are legal tender at _____ place/places in India for payment without limit.
 - some
 - no
 - restricted
 - any
 - None of these
- Which of the following Indian Rupee notes has the Motif of Sanchi Stupa?
 - Indian 200-rupee note
 - Indian 2000-rupee note
 - Indian 10-rupee note
 - Indian 50-rupee note
 - Indian 100-rupee note
- Which of the following Indian Rupee notes has the Motif of Mangalyaan?
 - Indian 200-rupee note
 - Indian 2000-rupee note
 - Indian 10-rupee note
 - Indian 50-rupee note
 - Indian 100-rupee note
- The _____ has the sole right to mint coins in India.
 - Reserve Bank of India
 - Government of India
 - State Bank of India
 - Bank of India
 - Central Bank of India
- Coins can be issued up to the denomination of Rs. _____ as per the Coinage Act, 1906.
 - 1000
 - 500
 - 200
 - 100
 - 50

Solutions

- (b):** RBI is the nation's sole note issuing authority.
- (c):** The Government of India is the issuing authority of coins and supplies coins to the Reserve Bank on demand.
- (b):** The Security Printing and Minting Corporation of India (SPMCIL) is a wholly owned company of the Government of India.
- (d):** The Bharatiya Reserve Bank Note Mudran Private Limited (BRBNMPL) is a wholly owned subsidiary of the RBI.
- (e):** Coins are minted by the Government of India. RBI is the agent of the Government for distribution, issue and handling of coins.
- (d):** Bank notes are legal tender at any place in India for payment without limit.
- (a):** RBI issued Rs. 200 denomination banknotes in the Mahatma Gandhi (New) Series, bearing the signature of Dr. Urjit R. Patel, Governor, RBI. It has the Motif of Sanchi Stupa on the reverse, depicting the country's cultural heritage.
- (b):** RBI issued Rs. 2000 denomination banknotes in the Mahatma Gandhi (New) Series. It has the Motif of Mangalyaan on the reverse.
- (b):** The Government of India has the sole right to mint coins.
- (a):** Coins can be issued up to the denomination of Rs.1000 as per the Coinage Act, 1906.



There are mainly eight types of risks that a bank can face. These are as follows:

1. Credit Risk
2. Market Risk
3. Operation Risk
4. Liquidity Risk
5. Business Risk
6. Reputational Risk
7. Systemic risk
8. Moral hazard

1. Credit Risk

- If a borrower does not repay a loan, the lender may lose the principle of the loan or the interest associated with it. It arises because the borrower expects to use future cash flows to pay current debts.
- A credit risk is the danger of default on an obligation that may emerge from a borrower neglecting to make required installments.
- Credit risk is most likely caused by loans, acceptances, interbank transactions, trade financing etc.

2. Market Risk

- Market risk arises due to the factors affecting the overall performance of the financial market, it is also known as the systematic risk.

3. Operational Risk

- Operational risk is the risk not arising from financial, systematic or market-wide risk.
- It is the risk remaining after determining systematic and financing risk and includes risk resulting from breakdowns in internal procedures.
- As per BIS (Bank of International Settlements) operational risk is the risk of loss, resulting from failed internal processes, people and systems or from external events.

4. Liquidity Risk:

- Risk due to the lack of marketability of an investment that cannot be bought or sold quickly.
- The inability of a bank to provide cash.

5. Business Risk:

- Business hazard is the likelihood of an organization to have lower than foreseen benefits or experience a misfortune instead of taking a benefit.
- Business hazards are impacted by various components, including deal volume, per-unit value, input costs, rivalry, the general monetary atmosphere and government controls.

6. Reputational Risk:

- Reputational risk is a threat or danger to the good name of a business.
- It occurs through a number of ways, directly as the result of the actions of the company itself, due to the actions of an employee.
- To avoid reputational risk a company also needs to be socially responsible and environmentally conscious.
- Reputational risk is the major hidden risk than can pose a threat to the survival of the large companies. The reputational risk arises from the actions of errant employees.

7. Systematic Risk:

- Systematic Risk is the ups and downs of returns caused by macroeconomic factors that affect all risky assets.
- Systematic risk consists of day to day fluctuations in a stock's price.

8. Moral Hazard:

- Moral hazard is a situation in which one party gets involved in a risky event knowing that it is protected against the risk and the other party will incur the cost. It arises when both the parties have incomplete information about each other.
- It emerges when both the parties have inadequate data about each other.
- It occurs when the borrower knows that someone else will pay for the mistake he makes. This in turn gives him the incentive to act in a riskier way. This economic concept is known as moral hazard.

Exercise

- When a bank borrower, or counter party, fails to meet its payment obligations regarding the terms agreed with the bank, it is called
 (a) Operational risk (b) Market Risk
 (c) Credit Risk (d) Moral Hazard
 (e) None of these
- When the risk of losses in on- or off-balance sheet positions arise from movement in market prices, it is called
 (a) Operational risk (b) Market Risk
 (c) Credit Risk (d) Moral Hazard
 (e) None of these
- When there is a risk of loss resulting from inadequate or failed internal processes, people and systems or from external event, it is called
 (a) Moral Hazard (b) Market Risk
 (c) Credit Risk (d) Operational risk
 (e) None of these
- When the bank is not able to have enough cash to carry out its day-to-day operations, it is called
 (a) Liquidity risk (b) Business risk
 (c) Credit Risk (d) Market Risk
 (e) None of these
- When a bank chooses the wrong strategy or follow a long-term business strategy which might lead to its failure, it is called
 (a) Credit Risk (b) Liquidity risk
 (c) Business risk (d) Market Risk
 (e) None of these
- When bank's image and public standing is in doubt and leads to public's loss of confidence in a bank, it is called
 (a) Reputational risk (b) Liquidity risk
 (c) Reputational risk (d) Systematic risk
 (e) None of these
- When the actions can lead to the entire financial system coming to a standstill, it is called
 (a) Liquidity risk (b) Business risk
 (c) Reputational risk (d) Systematic risk
 (e) None of these
- What is the risk called when one bank makes the decision about how much risk to take, while someone else (like the government) bears the costs if things go badly?
 (a) Business risk (b) Moral Hazard
 (c) Insolvency risk (d) Legal Risk
 (e) None of these
- When there is a financial loss to bank arising from legal suits filed against the bank or by a bank for applying a law wrongly, it is called
 (a) Insolvency risk (b) Moral Hazard
 (c) Legal Risk (d) Business risk
 (e) None of these
- Risk which arises from insufficient capital available to balance sudden decrease in assets value is classified as
 (a) Legal Risk (b) Moral Hazard
 (c) Insolvency risk (d) Business risk
 (e) None of these
- _____ is the risk that a bank may suffer loss as a result of adverse exchange rate movement.
 (a) Foreign Exchange Risk
 (b) Legal Risk
 (c) Insolvency risk
 (d) Moral Hazard
 (e) Interest Rate Risk
- _____ is the type of risk arises due to fluctuation in interest rate
 (a) Foreign Exchange Risk
 (b) Interest Rate Risk
 (c) Legal Risk
 (d) Insolvency risk
 (e) Moral Hazard
- Which of the following Risk develops from the business transactions done by the Banks exposed to potential Loss?
 (a) Financial Risk (b) Foreign Exchange Risk
 (c) Legal Risk (d) Insolvency risk
 (e) Moral Hazard

Solutions

1. **(c):** A credit risk is the risk of default on a debt that may arise from a borrower failing to make required payments.
2. **(b):** Market risk is the possibility of an investor experiencing losses due to factors that affect the overall performance of the financial markets in which he or she is involved
3. **(d):** Operational risk is "the risk of a change in value caused by the fact that actual losses, incurred for inadequate or failed internal processes, people and systems, or from external events, differ from the expected losses"
4. **(a):** Liquidity risk is the risk that a company or bank may be unable to meet short term financial demands. This usually occurs due to the inability to convert a security or hard asset to cash without a loss of capital and/or income in the process
5. **(c):** Business risk is the possibilities a company will have lower than anticipated profits or experience a loss rather than taking a profit.
6. **(a):** reputational risk refers to the potential for negative publicity, public perception or uncontrollable events to have an adverse impact on a company's reputation, thereby affecting its revenue.
7. **(d):** Systematic risk refers to the risk inherent to the entire market or market segment. Systematic risk, also known as "undiversifiable risk," "volatility" or "market risk," affects the overall market, not just a particular stock or industry. This type of risk is both unpredictable and impossible to completely avoid
8. **(b):** In economics, moral hazard occurs when someone increases their exposure to risk when insured, especially when a person takes more risks because someone else bears the cost of those risks.
9. **(c):** This conception is based on a business perspective, recognizing that there are threats entailed in the business operating environment.
10. **(c):** Insolvency risk is defined as the risk that an individual or company will not be able to meet its debt obligations
11. **(a):** Foreign exchange risk (also known as FX risk, exchange rate risk or currency risk) is a financial risk that exists when a financial transaction is denominated in a currency other than the domestic currency of the company.
12. **(b):** Interest rate risk is the danger that the value of a bond or other fixed-income investment will suffer as the result of a change in interest rates.
13. **(a):** Financial risk is a term that can apply to businesses, government entities, the financial market as a whole, and the individual. This risk is the danger or possibility that shareholders, investors, or other financial stakeholders will lose money.



Banking Awareness Questions Asked in Recent Exams

- A _____ is a bank certificate issued in more than one country for shares in a foreign company.
(a) Gross national product (GNP)
(b) Global Depository Receipt (GDR)
(c) Gross domestic product (GDP)
(d) Society for Worldwide Interbank Financial Telecommunication (SWIFT)
(e) Eurobond
- _____ is a specific division of banking related to the creation of capital for other companies, governments and other entities.
(a) Narrow Banking
(b) Current Banking
(c) Universal Banking
(d) Retail Banking
(e) Investment banking
- The Varishtha Pension Bima Yojana 2017, a pension scheme for senior citizens, was approved by the Union Cabinet. It provides an assured pension based on a guaranteed rate of return of 8 per cent for-?
(a) 25 years (b) 20 years (c) 15 years
(d) 10 years (e) 5 years
- Loan disbursed under MUDRA yojna is insured by-
(a) SEBI (b) Banking Lokpal
(c) CGTMSE (d) RBI (e) DICGC
- Multilateral Investment Guarantee Agency (MIGA) is an international financial institution which offers political risk insurance and credit enhancement guarantees. Where is the head office of MIGA?
(a) Vienna (b) Washington DC
(c) Paris (d) London (e) New York
- CRISIL pioneered the first corporate sector rating in 1988. It is what type of a company?
(a) Lender
(b) Geographical
(c) Analytical
(d) Insurance
(e) None of the given options is true
- How many banks were Nationalised in 1969?
(a) 10 (b) 6 (c) 14
(d) 12 (e) 8
- _____ is an accounting term that refers to the process of allocating the cost of an intangible asset or reduction in amount of loan over a period of time.
(a) Liability
(b) Inflation
(c) Depreciation
(d) NPA
(e) Amortization
- National Institute of Securities Markets (NISM) is a public trust, established by-
(a) NABARD (b) SEBI (c) RBI
(d) SIDBI (e) IRDAI
- The government has notified raising the threshold limit of PF withdrawal for deduction of tax (TDS) from existing Rs 30,000 to-
(a) Rs 90,000 (b) Rs 70,000 (c) Rs 40,000
(d) Rs 50,000 (e) Rs 60,000
- Credit card facility has not given by which institution?
(a) Payment Banks
(b) Nationalized Banks
(c) Public Sector Banks
(d) Regional Rural Banks
(e) Foreign Banks
- An ELSS is a diversified equity mutual fund which has a majority of the corpus invested in equities. What is the meaning of "L" in ELSS?
(a) Least (b) Limited (c) Lose
(d) Level (e) Linked
- CAGR is the mean annual growth rate of an investment over a specified period of time longer than one year. CAGR stands for-
(a) Compound Annual General Rate
(b) Compound Annual Growth Rate
(c) Compound Annual Growth Ratio
(d) Cancel Annual Growth Rate
(e) Compound Assembly Growth Rate
- Name the organization, which regulates microfinance given by NBFC?
(a) RBI (b) SEBI (c) NABARD
(d) SIDBI (e) IRDAI
- _____ is a secure messaging standard developed to serve as a platform for intra-bank and inter-bank applications.
(a) Structured Financial Messaging System (SFMS)
(b) Centralized Funds Management Systems (CFMS)
(c) Society for Worldwide Interbank Financial Telecommunication (SWIFT)
(d) Institute for Development & Research in Banking Technology (IDRBT)
(e) Electronic Funds Transfer (EFT)

16. A _____ is the risk of default on a debt that may arise from a borrower failing to make required payments.
 (a) current risk
 (b) export risk
 (c) operational risk
 (d) market risk
 (e) credit risk
17. LAF is a monetary policy tool which allows banks to borrow money through repurchase agreements or repos. What is the meaning of "L" in LAF?
 (a) Lose (b) Lesson (c) Lease
 (d) Labour (e) Liquidity
18. The _____ is where overnight (one day) loans can be availed by banks to meet liquidity.
 (a) Call Money
 (b) Notice Money
 (c) Short Money
 (d) Half Money
 (e) Soft Money
19. An _____ is used by startups to bypass the rigorous and regulated capital-raising process required by venture capitalists or banks.
 (a) Ending Coin Offering
 (b) Initial Coin Offering
 (c) Banking Coin Offering
 (d) External Coin Offering
 (e) Economy Coin Offering
20. _____ of a bank is the ratio of deposits in current and saving accounts to total deposits.
 (a) RASA ratio (b) FARA ratio (c) SADA ratio
 (d) NASA ratio (e) CASA ratio
21. _____ is a trade and economic policy which advocates replacing foreign imports with domestic production.
 (a) Import substitution industrialization
 (b) Reduction in import
 (c) Decrease in export
 (d) Boost of Economy
 (e) Increase in trade
22. To make the payments process easier the Government of India has launched the _____ payments transfer mechanism for cashless electronics payments.
 (a) UPI
 (b) Bharat QR Code
 (c) IMPS
 (d) Quick Pay
 (e) Bhim app
23. Which among the following is NOT a function of RBI?
 (a) To work as monetary authority and implement its Monetary Policy
 (b) To serve as issuer of bank notes
 (c) Working to foster global monetary cooperation, secure financial stability for member countries
 (d) Serve as banker to central and state governments
 (e) None of the given options is true
24. Slowdown in the rate of increase of price of goods and service in national GDP over a time called?
 (a) Deflation (b) Reflection (c) Stagflation
 (d) Disinflation (e) Recession
25. _____ is a market form wherein a market or industry is dominated by a small number of sellers.
 (a) Capitalization (b) Vendor (c) Group
 (d) Cartel (e) oligopoly
26. _____ is a written commitment by a bank issued after a request by an importer (foreign buyer) that payment will be made to the beneficiary (exporter) provided that the terms and conditions.
 (a) Buyers Products
 (b) shares and debentures
 (c) Letter of Credit
 (d) Working Capital
 (e) None of the given options is true
27. Banking Correspondents (BCs) are individuals/entities engaged by a bank in India (commercial banks, Regional Rural Banks (RRBs) and Local Area Banks (LABs)) for providing banking services in unbanked/under-banked geographical territories. BCs are paid by-
 (a) Third Party
 (b) Bank which appoints BCs
 (c) RBI
 (d) NABARD
 (e) RRBs
28. What is maximum limit for saving accounts in India Post Payments Bank (IPPB)?
 (a) Rs 5 lakh (b) Rs 4 lakh (c) Rs 3 lakh
 (d) Rs 2 lakh (e) Rs 1 lakh
29. The Kisan Credit Card (KCC) scheme is a credit scheme introduced in August 1998 by Indian banks. This model scheme was prepared by-
 (a) NABARD (b) RBI (c) SEBI
 (d) FICCI (e) SIDBI
30. The LTV ratio is a lending risk assessment ratio that financial institutions and others lenders examine before approving a mortgage. What is the meaning of "V" in LTV?
 (a) Voucher (b) Vacuum (c) Vendor
 (d) Vehicles (e) Value

31. The City Union Bank Limited is an Indian bank. Where is the headquarters of City Union Bank?
 (a) Uttar Pradesh (b) West Bengal (c) Kerala
 (d) Tamil Nadu (e) Maharashtra
32. The SEAC's function on the principle of collective responsibility. What is the meaning of "A" in SEAC?
 (a) Agriculture (b) Appraisal (c) Appeared
 (d) Authority (e) Approval
33. Bandhan Bank Limited is an Indian banking and financial services company headquartered in Kolkata, West Bengal. Bandhan, which started as a _____ company in 2001.
 (a) micro-finance
 (b) small-finance
 (c) medium-finance
 (d) industry-finance
 (e) rural-finance
34. SWIFT provides a network that enables financial institutions worldwide to send and receive information about financial transactions in a secure, standardized and reliable environment. What is the meaning of "S" in SWIFT?
 (a) Society (b) Service (c) System
 (d) Solution (e) Sending
35. In Notice Money Market, the tenor of the transactions is from _____
 (a) 2-7 days (b) 2-14 days (c) 2-21 days
 (d) 2-28 days (e) 2-90 days
36. The _____ risk is the risk that an investment's value will change due to a change in the absolute level of interest rates, in the spread between two rates, in the shape of the yield curve.
 (a) current risk
 (b) interest risk
 (c) operational risk
 (d) market risk
 (e) credit risk
37. The RBI has allowed ARCs to hold more than _____ post conversion of debt into equity in companies undergoing restructuring recently.
 (a) 15% (b) 20% (c) 17%
 (d) 26% (e) 10%
38. BCSBI was registered as a society under the _____ in February 2006.
 (a) Companies Act, 1956
 (b) Societies Registration Act, 1860
 (c) Banking Regulation Act, 1949
 (d) Reserve Bank of India Act, 1934
 (e) None of these
39. NSDP links are intended to provide quick access to a single comprehensive source of economic and financial data consistent with the data categories and components described in the subscriber's metadata. NSDP stands for-
 (a) National Summary District Page
 (b) National Summary Development Page
 (c) National Summary Department Page
 (d) National Summary Division Page
 (e) National Summary Data Page
40. Which of the following has launched the India's first bitcoin trading app?
 (a) Venus Exchange
 (b) Bitcoin Exchange
 (c) Uranus Exchange
 (d) Pluto Exchange
 (e) None of these
41. What is the present Annual Rate of Interest on Kisan Vikas Patra (KVP) as on 01.07.2019?
 (a) 8.4% (b) 7.8% (c) 7.5%
 (d) 8.2% (e) 7.6%
42. The arrangement under which banks sell insurance products acting as the agents of the respective companies is called the.....?
 (a) Insurance joint venture
 (b) Bancassurance Model
 (c) Hybrid Insurance Model
 (d) Insurance Broking
 (e) None of these
43. Who among the following regulates the Indian Corporate Debt Market?
 (a) RBI (b) NABARD (c) SIDBI
 (d) SEBI (e) PFRDA
44. Which of the following is the purpose of introducing "Know Your Customer" norms by the banks?
 (a) Identifying people who do not pay Income Tax
 (b) To bring more and more people under the banking net
 (c) To ensure that the money deposited in banks has come from genuine sources
 (d) All of the Above
 (e) None of the given options is true
45. What is the minimum initial deposit required for opening a Basic Savings Bank Deposit Account (BSBDA)?
 (a) Rs 500 (b) Rs 1000 (c) Rs 100
 (d) No initial deposit (e) Rs 200
46. What is the minimum amount to be remitted through RTGS-
 (a) Rs.2 lakh (b) Rs. 50, 000 (c) Rs.1 lakh
 (d) Rs.5 lakh (e) Rs.10 lakh

47. RNBC stands for-
- Residuary Non-Banking Companies
 - Reserve Non Banking Companies
 - Reserve New Banking Companies
 - Re-curring New Banking Companies
 - None of the given options is true
48. A debt which is irrecoverable and is therefore written off as loss in the accounts of an institution or bank is known as _____
- external debt
 - good debt
 - bad debt
 - internal debt
 - None of the given options is true
49. Government of India created the Rural Infrastructure Development Fund (RIDF) in NABARD in 1995-96, with an initial corpus of :-
- Rs.3,000 crore
 - Rs. 2,000 crore
 - Rs.4,000 crore
 - Rs.6,000 crore
 - Rs.5,000 crore
50. _____ is a deposit account provided by a bank or other financial institutions for individuals to save money and earn the modest interest for that money held in the account.
- Fixed Deposit Account
 - Savings Bank Account
 - Recurring Account
 - Current Account
 - None of the given options is true
51. The New Development Bank (NDB) aims to mobilize resources for development projects in BRICS, emerging economies and developing countries. Where is the headquarterd of NDB?
- Durban, South Africa
 - Brasilia, Brazil
 - Moscow, Russia
 - Shanghai, China
 - New Delhi, India
52. With an initial funding of \$912.7million, International Development Association (IDA) was launched on-
- 24th September 1960
 - 17th December 1920
 - 22nd November 1959
 - 23rd May 1919
 - 15th October 1945
53. NIBM was established in _____ by the Reserve Bank of India, in consultation with the Government of India, as an autonomous apex institution for research, training, education and consultancy in bank management.
- 1982
 - 1949
 - 1921
 - 1934
 - 1969
54. NIBM is part of the grand vision of giving a new direction to the banking industry in India and making the industry a more cost-effective instrument for national development. NIBM stands for-
- Non-Organization Institute of Bank Management
 - National Institute of Bureau Management
 - National Investment of Bank Management
 - National Institute of Bank Management
 - None of the above
55. NIBM, an autonomous academic institution, is governed by a Board, its highest policy-making body. Where is the headquarterd of NIBM?
- Nashik, Maharashtra
 - Pune, Maharashtra
 - Mumbai, Maharashtra
 - Kolhapur, Maharashtra
 - Nagpur, Maharashtra
56. _____ is an electronic fund transfer system that operates on a Deferred Net Settlement (DNS) basis which settles transactions in batches.
- NEFT
 - RTGS
 - NPCI
 - BBPS
 - IMPS
57. The Central Office of the Reserve Bank was initially established in Calcutta (now Kolkata) but was permanently moved to Mumbai in-
- 1949
 - 1937
 - 1943
 - 1945
 - 1934
58. The Reserve Bank of India (RBI) is vested with the responsibility of conducting monetary policy. This responsibility is explicitly mandated under which act?
- Companies Act, 1956
 - Negotiable Instruments Act, 1881
 - Reserve Bank of India Act, 1934
 - Banking Regulation Act, 1949
 - None of the given options is true
59. A facility under which scheduled commercial banks can borrow additional amount of overnight money from the Reserve Bank by dipping into their Statutory Liquidity Ratio (SLR). It is called?
- Repo Rate
 - Reverse Repo Rate
 - Bank Rate
 - Marginal Standing Facility (MSF)
 - Liquidity Adjustment Facility (LAF)

- 60.** National Housing Bank (NHB) was set up on _____ under the National Housing Bank Act, 1987.
 (a) 01st July 1956 (b) 02nd October, 1976
 (c) 01st January 1934 (d) 21st May 1956
 (e) 09th July 1988
- 61.** _____ an asset, including a leased asset, becomes non-performing when it ceases to generate income for the bank.
 (a) NPA (b) KCC (c) NPV
 (d) GDP (e) GNP
- 62.** NPA stands for-
 (a) National -performing Assets
 (b) New -performing Assets
 (c) Non -production Assets
 (d) Non -performing Assembly
 (e) Non -performing Assets
- 63.** MUDRA is a financial institution has been set up by Government of India for development and refinancing micro units' enterprises. What is the meaning of "A" in MUDRA?
 (a) Agency (b) Association (c) Assembly
 (d) Agent (e) Alert
- 64.** MUDRA stands for-
 (a) Micro Units Development & Refinance Agent
 (b) Medium Units Development & Refinance Association
 (c) Micro Units Department & Refinance Agency
 (d) Micro Units Development & Refinance Agency
 (e) Micro Unique Development & Refinance Assembly
- 65.** India was one of the first in Asia to recognize the effectiveness of the EPZ model in promoting exports. EPZ stands for-
 (a) Export Point Zone
 (b) External Processing Zone
 (c) Export Production Zone
 (d) Export Processing Zone
 (e) Export Processing Zonal
- 66.** Asia's first EPZ was set up in-
 (a) Kandla, Gujarat
 (b) Indore, Madhya Pradesh
 (c) Kolhapur, Maharashtra
 (d) Kochin, Kerala
 (e) Haridwar, Uttarakhand
- 67.** NPA is a loan or an advance where interest and/or installment of principal remain overdue for a period of more than _____ days in respect of a term loan.
 (a) 100 days (b) 30 days (c) 90 days
 (d) 60 days (e) 120 days
- 68.** NPA is a loan or an advance where?
 (a) the instalment of principal or interest there on remains overdue for one crop season for long duration crops.
 (b) the account remains 'out of order' in respect of an Overdraft/Cash Credit (OD/CC).
 (c) the instalment of principal or interest there on remains overdue for two crop seasons for short duration crops.
 (d) All of the above
 (e) None of the above
- 69.** The purpose of MUDRA is to provide funding to the non-corporate small business sector through various Last Mile Financial Institutions like-
 (a) Banks
 (b) NBFCs
 (c) MFIs
 (d) All of the above
 (e) None of the above
- 70.** MUDRA Bank, a Non-Banking Finance Company as MUDRA Ltd has been set up as a subsidiary of.....?
 (a) SIDBI (b) IDBI (c) RBI
 (d) NABARD (e) SBI
- 71.** In which among the following year Asia's first Export Processing Zone (EPZ) was set up?
 (a) 1959 (b) 1971 (c) 1965
 (d) 1956 (e) 1975
- 72.** What is the meaning of "E" in SEZs?
 (a) Essential (b) Economic (c) Electronic
 (d) Effective (e) None of the above
- 73.** Banks are required to classify NPA further into the _____ categories based on the period for which the asset has remained non-performing and the realisability of the dues.
 (a) One (b) Three (c) Two
 (d) Four (e) Six
- 74.** Which among the following are not the categories of NPA?
 (a) Sub-standard Assets (b) Profit Assets
 (c) Doubtful Assets (d) Loss Assets
 (e) None of the above
- 75.** PMMY were launched on 08 April 2015 by the Hon'ble Prime Minister Narendra Modi. What is the full form of PMMY?
 (a) Pradhan Manager MUDRA Yojana
 (b) Pradhan Mantri MUDRA Yatra
 (c) Pradhan Mantri MUDRA Yojana
 (d) Pramukh Mantri MUDRA Yojana
 (e) None of the above

- 76.** MUDRA gives loan in how many categories?
 (a) Two (b) One (c) Three
 (d) Four (e) Six
- 77.** Which among the following is not a loan category of MUDRA bank?
 (a) Shishu (b) Arun (c) Kishor
 (d) Tarun (e) None of the above
- 78.** SEZs Policy was announced in _____ with the objective of making the SEZs an engine for economic growth, supported by quality infrastructure and an attractive fiscal package both at the Central and State level with a single window clearance.
 (a) December 1999
 (b) October 2010
 (c) January 2005
 (d) July 1991
 (e) April 2000
- 79.** The main objectives of the SEZ act are-
 (a) Generation of additional economic activity
 (b) Promotion of exports of goods and services
 (c) Promotion of investment from domestic and foreign sources
 (d) Creation of employment opportunities
 (e) All of the above
- 80.** With effect from 31 March 2005, a _____ would be one, which has remained NPA for a period less than or equal to 12 months.
 (a) Sub-standard Assets
 (b) Profit Assets
 (c) Doubtful Assets
 (d) Loss Assets
 (e) None of the above
- 81.** With effect from March 31, 2005, an asset would be classified as _____ if it has remained in the sub-standard category for a period of 12 months.
 (a) Sub-standard Assets
 (b) Profit Assets
 (c) Doubtful Assets
 (d) Loss Assets
 (e) None of the above
- 82.** What is the financial limit Under MUDRA's Shishu scheme?
 (a) Rs. 5, 00,000 (b) Rs. 50,000 (c) Rs. 1, 00,000
 (d) Rs. 10,000 (e) Rs. 1, 50,000
- 83.** What is the financial limit Under MUDRA's Kishor scheme?
 (a) Rs. 50,000 to Rs. 10 lakh
 (b) Rs. 50,000 to Rs. 3 lakh
 (c) Rs. 50,000 to Rs. 1 lakh
 (d) Rs. 50,000 to Rs. 2 lakh
 (e) Rs. 50,000 to Rs. 5 lakh
- 84.** Which among the following Incentives and facilities offered to the SEZs is not correct-
 (a) Duty free import/domestic procurement of goods for development, operation and maintenance of SEZ units.
 (b) Exemption from State sales tax and other levies as extended by the respective State Governments.
 (c) Exemption from minimum alternate tax under section 115JB of the Income Tax Act.
 (d) 100% Income Tax exemption on export income for SEZ units under Section 10AA of the Income Tax Act for 10 years, 50% for next 5 years thereafter and 50% of the ploughed back export profit for next 5 years.
 (e) Exemption from Central Sales Tax.
- 85.** _____ is a specifically delineated duty-free enclave and shall be deemed to be foreign territory for the purposes of trade operations and duties and tariffs.
 (a) SEZs (b) FDI (c) FIPB
 (d) CDR (e) CSR
- 86.** Which committee has recommended the setting up of Special Tribunals to reduce the time required for settling cases and accepting the recommendations, DRTs were established?
 (a) Kelkar committee
 (b) Justice Reddy committee
 (c) Rangarajan Committee
 (d) Sivaraman Committee
 (e) Narasimham Committee
- 87.** DRT has been constituted under Section 3 of the Recovery of Debts Due to Banks and Financial Institutions Act, 1993. DRT stands for-
 (a) Debt Recovery Tribunals
 (b) Demand Recovery Tribunals
 (c) Deposit Recovery Tribunals
 (d) Debt Refinance Tribunals
 (e) Debt Recovery Treaty
- 88.** What is the financial limit Under MUDRA's Tarun scheme?
 (a) Rs. 40 lakh to Rs. 50 lakh
 (b) Rs. 30 lakh to Rs. 40 lakh
 (c) Rs. 20 lakh to Rs. 30 lakh
 (d) Rs. 10 lakh to Rs. 20 lakh
 (e) Rs. 5 lakh to Rs. 10 lakh
- 89.** Who can set up an SEZ?
 (a) Private sector
 (b) Public sector
 (c) State government
 (d) All of the above
 (e) Only (a) and (b)

90. Securitization act 2002 is enables the banks to issue notices to defaulters who have to pay the debts within _____ days.
 (a) 90 days
 (b) 60 days
 (c) 30 days
 (d) 120 days
 (e) None of the above
91. _____ is vested with the responsibility of conducting monetary policy.
 (a) RBI (b) SBI (c) NABARD
 (d) SIDBI (e) Finance Ministry
92. In which year the Reserve Bank of India (RBI) Act, 1934 was amended to provide a statutory basis for the implementation of the flexible inflation targeting framework?
 (a) May 2013 (b) May 2014 (c) May 2015
 (d) May 2016 (e) May 2012
93. Which scheme/act has enables an expeditious and inexpensive forum to bank customers for resolution of complaints relating to certain services rendered by banks?
 (a) Reserve Bank of India Act, 1934
 (b) Banking Regulation Act, 1949
 (c) Securitization Act 2002
 (d) FEMA
 (e) Banking Ombudsman Scheme
94. Many a times we read about Special Drawing Rights (SDR) in newspapers. As per its definition, SDR is a monetary unit of reserve asset of which the following organization/agency?
 (a) World Bank
 (b) International Monetary Fund (IMF)
 (c) Asian Development Bank (ADB)
 (d) Reserve Bank of India (RBI)
 (e) None of the above
95. IBA adopts a consultative approach to give its views on any issue pertaining to banking sector. What is the meaning of "I" in IBA?
 (a) International
 (b) Institute
 (c) Investment
 (d) Indian
 (e) Increase
96. IBA stands for-
 (a) Indian Banks' Allocation
 (b) Indian Banks' Association
 (c) Institute Banks' Association
 (d) Indian Banks' Assembly
 (e) Indian Billing Association
97. in its fifth bi-monthly monetary policy review of the present financial year, What is the present Repo Rate?
 (a) 7.00% (b) 5.15% (c) 6.50%
 (d) 6.75% (e) None of the above
98. Which among the following rates is not the policy rate of RBI?
 (a) Repo Rate
 (b) Reverse Repo Rate
 (c) Bank Rate
 (d) Marginal Standing Facility Rate
 (e) Cash Reserve Ratio
99. The Banking Ombudsman is a senior official appointed by.....?
 (a) Indian Government
 (b) President of India
 (c) Chief Justice of India
 (d) Reserve Bank of India
 (e) Finance Ministry
100. As on January 2020, there are _____ Banking Ombudsman centre located in India.
 (a) 20 (b) 19 (c) 18
 (d) 17 (e) 22
101. The International Bank for Reconstruction and Development (IBRD) is an international financial institutions that offer loans to-
 (a) Multinational Banks
 (b) Multinational Financial Institutions
 (c) Middle Income Developing Countries
 (d) Non Government Organizations
 (e) None of the given options is true
102. Name the First Foreign Bank in India.
 (a) Chinatrust Commercial Bank
 (b) United Overseas Bank
 (c) Federal Bank
 (d) Comptoir d'Escompte de Paris
 (e) Landesbank Baden-Württemberg
103. The promoters of Small Finance Banks should have _____ experience in banking and finance?
 (a) 08 years (b) 11 years (c) 07 years
 (d) 10 years (e) 15 years
104. The Reserve Bank of India (RBI) is all set to make LEI compulsory for companies having aggregate fund-based and non-fund based exposure over Rs 5 crore. What does LEI stand for?
 (a) Legal Entity Identifier
 (b) Legal Eminent Identity
 (c) Legal Eminent Income
 (d) Legal Entity Identity
 (e) Legal Effective Identity

- 105.** Which of the following is the country's largest custodian and depository participant?
 (a) CIBIL (b) SEBI (c) NABARD
 (d) SHCIL (e) None of the given options is true
- 106.** 'CAR' is a measurement of a bank's available capital expressed as a percentage of a bank's risk-weighted credit exposures. What does mean stand for 'CAR'?
 (a) capital adequacy ratio
 (b) cash adequacy ratio
 (c) capital adjustment ratio
 (d) capital asset ratio
 (e) credit adequacy ratio
- 107.** Which Bank has launched 10-second paperless instant loan Scheme?
 (a) HDFC (b) SBI (c) PNB
 (d) IDBI (e) ICICI
- 108.** As on January 2020, What is the present MSF rate?
 (a) 5.50 percent (b) 5.75 percent (c) 6.75 percent
 (d) 6.50 percent (e) 5.40 percent
- 109.** Deposits which can be withdrawn by a customer without notice is called?
 (a) Time Deposits (b) Demand Deposits
 (c) Variable Deposits (d) Low cost Deposits
 (e) None of these
- 110.** Loan and Advances of a bank come under which of the following category?
 (a) Assets
 (b) Liabilities
 (c) Deposits
 (d) All of the Above
 (e) None of these
- 111.** Which Bank has launched its mobile banking app called BPay?
 (a) AU Small Finance Bank
 (b) India Post Payments Bank
 (c) Fino Payments Bank
 (d) Airtel Payments Bank
 (e) ICICI Bank
- 112.** Where is the head office of European Bank for Reconstruction & Development (EBRD)?
 (a) London (b) Paris (c) Vienna
 (d) Geneva (e) New York
- 113.** The Ministry of Finance increased the maximum age of joining the National Pension System (NPS) from the existing 60 years to _____ under NPS - Private Sector.
 (a) 62 years (b) 63 years (c) 64 years
 (d) 65 years (e) 66 years
- 114.** India Infrastructure Finance Company Ltd (IIFCL) is a wholly-owned _____ company set up in 2006.
 (a) NABARD (b) SEBI
 (c) RBI (d) Finance Ministry
 (e) Government of India
- 115.** How much cash can payment be made to the beneficiary in India under MTSS?
 (a) Rs 2, 00,000 (b) Rs 50,000 (c) Rs 1, 00,000
 (d) Rs 10,000 (e) None of the above
- 116.** If cheque is issued by a bank in the same city as the payee, the cheque will be called?
 (a) Outstation Cheque
 (b) Local Cheque
 (c) At par Cheque
 (d) Multicity Cheque
 (e) None of the given options is true
- 117.** What is the maximum period of maturity prescribed for Commercial Paper (CP)?
 (a) 10 years (b) 06 years (c) 01 Year
 (d) 02 years (e) 05 years
- 118.** The PCA framework is applicable only to _____.
 (a) Non-Banking Financial Companies
 (b) Financial Management Institutions
 (c) Commercial banks
 (d) Co-operative Banks
 (e) None of the given options is true
- 119.** Where is the head office of IndusInd Bank?
 (a) Hyderabad (b) Kolkata (c) New Delhi
 (d) Mumbai (e) Chennai
- 120.** _____ account is opened by the investor while registering with an investment broker.
 (a) Fixed Deposit Account
 (b) Savings Bank Account
 (c) Recurring Account
 (d) Demat Account
 (e) None of the given options is true
- 121.** Maximum limit (amount) that can be invested in Kisan Vikas Patra (KVP) Certificate is?
 (a) Rs.5,000 (b) Rs.10,000 (c) Rs.25,000
 (d) Rs.50,000 (e) No limit
- 122.** The UIDAI or Unique Identification Authority of India has launched a new mobile app, called _____, that will negate the need to carry the Aadhaar card in wallets.
 (a) SmartAadhaar (b) mAadhaar
 (c) MyAadhaar (d) AadhaarWallet
 (e) None of these

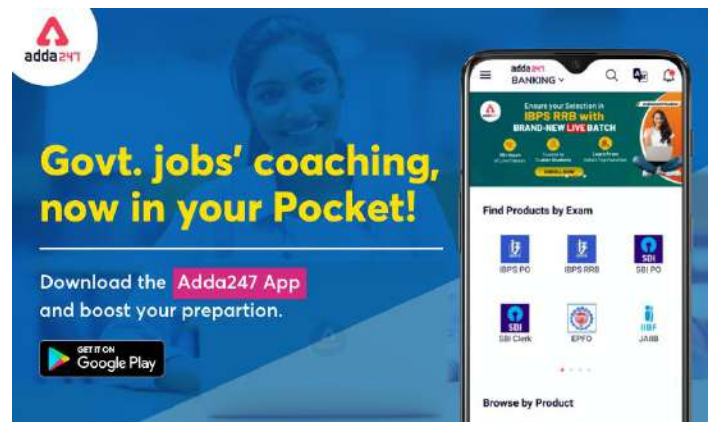
- 123.** The Index of Industrial Production (IIP) is compiled and released by
 (a) CII (b) ASSOCHAM (c) RBI
 (d) EXIM BANK (e) CSO
- 124.** A facility under which scheduled commercial banks can borrow additional amount of overnight money from the Reserve Bank by dipping into their Statutory Liquidity Ratio (SLR). It is called?
 (a) Repo Rate
 (b) Reverse Repo Rate
 (c) Bank Rate
 (d) Marginal Standing Facility (MSF)
 (e) Liquidity Adjustment Facility (LAF)
- 125.** The State Bank of India has introduced a loyalty program for its valued customers. This program is called as _____.
 (a) State Bank Loyalty
 (b) State Bank Sambhandh
 (c) State Bank Mol
 (d) State Bank Rewardz
 (e) State Bank Samarth
- 126.** The Postal Service Board is _____ of the Department of Posts.
 (a) apex management body
 (b) regulatory management body
 (c) financial management body
 (d) statutory authority
 (e) None of the given options is true
- 127.** As on January 2020, What is the current Policy Reverse Repo Rate?
 (a) 6.25 percent (b) 6.50 percent (c) 6.00 percent
 (d) 5.50 percent (e) 4.90 percent
- 128.** When the growth of GDP in a country slows down suddenly, people start losing their jobs and the situation continues for several weeks, what name is given to this state of economy?
 (a) Inflation (b) Recession (c) Deflation
 (d) Economic boom (e) None of these
- 129.** Banks in India normally do not have to deal with the issues related to
 (a) customer complaints
 (b) cross complaints
 (c) payment and settlement system
 (d) Intellectual property system
 (e) cases of insolvency
- 130.** Taxpayers who are earning between _____ have to pay an additional surcharge of 10% on their total income which was not the case earlier.
 (a) Rs.50 lacs to Rs.1 crore
 (b) Rs.60 lacs to Rs.3 crore
 (c) Rs.40 lacs to Rs.5 crore
 (d) Rs.05 lacs to Rs.1 crore
 (e) Rs.10 lacs to Rs.2 crore
- 131.** When more than one bank is allowing credit facilities to one party in coordination with each other under a formal arrangement, the arrangement is generally known as _____.
 (a) Consortium (b) Syndication
 (c) Multiple Banking (d) Participation
 (e) None of these
- 132.** The World Business Council for Sustainable Development (WBCSD) headquarters in _____.
 (a) Paris, France (b) New York, USA
 (c) Geneva, Switzerland (d) Jakarta, Indonesia
 (e) Beijing, China
- 133.** What is the maximum period for which a term deposit can be normally opened?
 (a) 8 years (b) 7 years (c) 9 years
 (d) 10 years (e) 12 years
- 134.** Special Drawing Rights (SDR) are supplementary foreign exchange reserve assets defined and maintained by-
 (a) Asian Development Bank (ADB)
 (b) Reserve Bank of India (RBI)
 (c) World Bank (WB)
 (d) International Monetary Fund (IMF)
 (e) Asian Infrastructure Investment Bank (AIIB)
- 135.** Ujjivan Small Finance Bank Limited is a bank licensed under _____ of the Banking Regulation Act, 1949 to carry out small finance bank business in India.
 (a) section 25 (b) section 12 (c) section 18
 (d) section 22 (e) section 47
- 136.** When there is a difference between all receipts and expenditure of the Government of India both capital and revenue it is called-
 (a) Revenue Deficit
 (b) Budgetary Deficit
 (c) Zero Budgeting
 (d) Trade Gap
 (e) Balance of Payment Problem
- 137.** Under which act NBFCs are incorporated?
 (a) Banking Regulation Act, 1949
 (b) Companies Act, 1956
 (c) RBI Act 1934
 (d) SBI Act 1955
 (e) None of the given options is true
- 138.** _____ is a standard format of Bank Identifier Codes (BIC) for banks to identify banks and financial institutions globally.
 (a) RTGS (b) IFSC (c) NEFT
 (d) SWIFT (e) None of the given options is true

- 139.** Which of the following is mainly used by the banks in order to meet their temporary requirement of Cash on a daily basis?
 (a) Commercial Paper
 (b) Certificate of Deposit
 (c) Collateralized Borrowing and Lending Obligations (CBLO)
 (d) Call Money
 (e) None of the given options is true
- 140.** The government launched the 'Bharat 22' ETF managed by ICICI Prudential Mutual Fund, targeting an initial amount of about Rs8,000 crore. What is the meaning of "T" in ETF?
 (a) Timing (b) Transaction (c) Traded
 (d) Treaty (e) Trended
- 141.** The Board of Industrial and Financial Reconstruction (BIFR) came into existence in-
 (a) 1999 (b) 1995 (c) 1991
 (d) 1987 (e) 1982
- 142.** Name the First Universal Bank in India.
 (a) SBI (b) ICICI Bank (c) PNB
 (d) HDFC (e) Axis Bank
- 143.** TRIPS and TRIMS are associated with which of following organization-
 (a) WTO (b) IMF (c) IDA
 (d) AIIB (e) WHO
- 144.** Treasury bills are issued in India by ____
 (a) RBI
 (b) State Government
 (c) Government of India
 (d) SEBI
 (e) NABARD
- 145.** Which of the following is an independent commodity exchange based in Mumbai?
 (a) MGEX (b) MCE (c) MDEX
 (d) MCX (e) MEX
- 146.** ICRA, CRISIL, and Standard and Poor's (S&P) are?
 (a) Financial Institutions
 (b) NGOs
 (c) NBFCs
 (d) Credit Rating Agencies
 (e) None of the given options is true
- 147.** With reference to a cheque which of the following is the 'drawee bank'?
 (a) The bank that collects the cheque
 (b) The payee's bank
 (c) The endorser's bank
 (d) The bank upon which the cheque is drawn
 (e) None of the given options is true
- 148.** Where is the headquarter of Deutsche Bank?
 (a) Taiwan (b) Germany (c) France
 (d) Netherland (e) None of these
- 149.** When was the currency system in India converted into decimal system?
 (a) April 01st 1959
 (b) April 01st 1957
 (c) April 01st 1955
 (d) April 01st 1953
 (e) April 01st 1951
- 150.** Where is the headquarter of ABN AMRO Bank?
 (a) Taiwan (b) Germany (c) France
 (d) Netherland (e) None of these
- 151.** NPCI is an umbrella organization for all retail payments system in India. It was set up with the guidance and support of the Reserve Bank of India (RBI) and Indian Banks' Association (IBA). What does NPCI stands for-
 (a) National Payments Corporation of Industry
 (b) National Payments Council of India
 (c) Nominal Payments Corporation of India
 (d) National Payments Corporation of India
 (e) National Product Corporation of India
- 152.** In which among the following years NPCI was incorporated-
 (a) December 2008 (b) January 2006
 (c) April 2010 (d) July 2012
 (e) None of the above
- 153.** The Bank for International Settlements (BIS) is the world's oldest international financial organization. BIS was established on-
 (a) 26th May 1961 (b) 01st October 1949
 (c) 14th February 1914 (d) 21st August 1945
 (e) 17th May 1930
- 154.** Where is the head office of Bank for International Settlements (BIS)?
 (a) Zurich, Switzerland (b) New York, USA
 (c) Basel, Switzerland (d) Berlin, Germany
 (e) Geneva, Switzerland
- 155.** Under which act NPCI was incorporated as a Section 8?
 (a) Banking Regulation Act, 1949
 (b) Companies Act 2013
 (c) Reserve Bank of India Act, 1934
 (d) Societies Registration Act, 1860
 (e) None of the above
- 156.** Who was the first Governor of RBI?
 (a) C.D.Deshmukh (b) James Braid Taylor
 (c) Osborne Smith (d) Raghuram Rajan
 (e) None of the above

- 157.** Scheduled Banks of India are those banks, which are?
 (a) Included in First Schedule of RBI Act, 1934
 (b) Not included in First Schedule of RBI Act, 1934
 (c) Included in Second Schedule of RBI Act, 1934
 (d) Not included in Second Schedule of RBI Act, 1934
 (e) None of the above
- 158.** Which of the following banks is not merged with SBI in April 2017?
 (a) State Bank of Bikaner & Jaipur
 (b) State Bank of Travancore
 (c) State Bank of Mysore
 (d) Axis Bank
 (e) None of the above
- 159.** Which of the following bank is not a private sector bank in India?
 (a) Federal Bank (b) Yes Bank
 (c) IndusInd Bank (d) UCO Bank
 (e) None of the above
- 160.** Which private sector bank is recently merged with Kotak Mahindra Bank (KMB)?
 (a) ING Vysya Bank
 (b) KarurVysya Bank
 (c) Lakshmi Vilas Bank
 (d) Jammu and Kashmir Bank
 (e) None of the above
- 161.** For providing postal services, the whole country has been divided into _____ postal circles.
 (a) 21 (b) 25 (c) 23
 (d) 27 (e) 29
- 162.** Which two private sector banks have got license from RBI in 2014?
 (a) Bandhan and Yes Bank
 (b) Yes Bank and IDFC
 (c) IDFC Bank and Bandhan Bank
 (d) Axis Bank and ICICI
 (e) None of the given options is true
- 163.** Who is 25th governor of the Reserve Bank of India?
 (a) Urjit Patel
 (b) Raghuram Rajan
 (c) Shaktikanta Das
 (d) Mario Draghi
 (e) None of the given options is true
- 164.** Which bank first introduced Automated Teller Machine (ATM) in India (1987)?
 (a) SBI
 (b) Punjab National Bank
 (c) Federal Bank
 (d) HSBC
 (e) None of the given options is true
- 165.** Bank of Rajasthan was merged with which private sector bank?
 (a) ICICI Bank
 (b) Axis Bank
 (c) HDFC Bank
 (d) Kotak Mahindra Bank
 (e) None of the given options is true
- 166.** PSLCs are tradable certificates issued against priority sector loans of banks. What does meaning of "Cs" in PSLCs?
 (a) Cess (b) Cities (c) Census
 (d) Certificates (e) None of the above
- 167.** The Banking Ombudsman Scheme is introduced under Section 35 A of the Banking Regulation Act, 1949 by RBI with effect from -
 (a) 1995 (b) 1999 (c) 1990
 (d) 1982 (e) 1988
- 168.** MTSS is a way of transferring personal remittances from abroad to beneficiaries in India. What does MTSS stand for-
 (a) Mobile Transfer Service Scheme
 (b) Money Transfer System Scheme
 (c) Money Timing Service Scheme
 (d) Market Transfer Service Scheme
 (e) Money Transfer Service Scheme
- 169.** IFS is software developed by UPU to coordinate international remittance services among the partner countries. At present the service is operational with La Poste Group, France and UAE. IFS stands for-
 (a) International Financial Scheme
 (b) Indian Financial System
 (c) International Fund System
 (d) International Financial System
 (e) International Financial Service
- 170.** RDA is a channel to receive cross-border remittances from overseas jurisdictions. What does meaning of "A" in RDA?
 (a) Account (b) Assembly (c) Arrangement
 (d) Association (e) Amount
- 171.** NABARD was dedicated to the service of the nation by the late Prime Minister Smt. Indira Gandhi on-
 (a) 12th July 1982 (b) 01st January 1949
 (c) 19th July 1980 (d) 15th April 1969
 (e) 05th November 1982
- 172.** The mission of NABARD is Promote sustainable and equitable agriculture and rural prosperity through effective credit support, related services, institution development and other innovative initiatives. What is meaning of "R" IN NABARD?
 (a) Regional (b) Rural (c) Reconstruction
 (d) Revised (e) Remittance

- 173.** SAT is a statutory body established under the provisions of Section 15K of the Securities and Exchange Board of India (SEBI) Act, 1992. SAT stands for-
- (a) Securities Appellate Tribunal
(b) Securities Appellate Treaty
(c) Securities Association Tribunal
(d) Saving Appellate Tribunal
(e) None of the above
- 174.** The Securities and Exchange Board of India (SEBI) was established on-
- (a) 12th April 1999 (b) 12th April 1992
(c) 12th April 1949 (d) 12th April 1990
(e) 12th April 1995
- 175.** NABARD was set up with an initial capital of-
- (a) Rs 200 crore (b) Rs 1500 crore
(c) Rs 500 crore (d) Rs 100 crore
(e) Rs 1000 crore
- 176.** At present many public sector banks and one private sector bank are authorized to handle the Senior Citizens Savings Scheme (SCSS), 2004. Name the private sector bank, which are authorized to handle the Senior Citizens Savings Scheme (SCSS), 2004?
- (a) ICICI bank (b) HDFC Bank (c) Axis Bank
(d) Yes Bank (e) Kotak Mahindra Bank
- 177.** The Government of India has enacted the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 in terms of which the definition of micro, small and medium enterprises. As under a micro enterprise is an enterprise where investment in plant and machinery does not exceed.....?
- (a) Rs. 100 lakh (b) Rs. 15 lakh (c) Rs. 25 lakh
(d) Rs. 50 lakh (e) None of the above
- 178.** Commercial Paper (CP) is an unsecured money market instrument issued in the form of a promissory note. In which year Commercial Paper was introduced in India?
- (a) 1975 (b) 1990 (c) 1985
(d) 1955 (e) 1980
- 179.** Which Bank of India maintains the Principal Accounts of Central as well as State Governments at its Central Accounts Section?
- (a) IDBI (b) SBI (c) SIDBI
(d) NABARD (e) RBI
- 180.** Who are eligible to issue Commercial Paper (CP)?
- (a) Corporate
(b) Primary dealers (PDs)
(c) All-India Financial Institutions (FIs)
(d) All of the above
(e) None of the above
- 181.** Under OLTAS, only a Single Copy Challan is used with a tear off portion for the Tax Payer. What does OLTAS stand for?
- (a) On-line Tax Accounting Service
(b) On-line Tax Amounting System
(c) On-line Timing Accounting System
(d) On-line Tax Association Service
(e) On-line Tax Accounting System
- 182.** What is the minimum period of maturity prescribed for Commercial Paper (CP)?
- (a) 17 Months (b) 14 Days (c) 01 Year
(d) 07 days (e) 05 years
- 183.** Which banks are insured by the Deposit Insurance and Credit Guarantee Corporation (DICGC)?
- (a) Foreign Banks functioning in India
(b) Local Area Banks
(c) Regional Rural Banks
(d) All of the above
(e) None of the above
- 184.** _____ is a quick and easy way of transferring personal remittances from abroad to beneficiaries in India by India Post.
- (a) EMO network
(b) International Financial System
(c) Money Transfer Service Scheme
(d) National Electronic Funds Transfer
(e) Society for Worldwide Interbank Financial Telecommunication
- 185.** Each depositor in a bank is insured by DICGC upto a maximum of _____ for both principal and interest amount held by him in the same capacity and same right as on the date of liquidation/cancellation of bank's licence or the date on which the scheme of amalgamation/merger/reconstruction comes into force.
- (a) Rs.1, 00,000 (b) Rs.2, 00,000 (c) Rs.3, 00,000
(d) Rs.4, 00,000 (e) Rs.5, 00,000
- 186.** Which organization holding the highest/maximum share in NABARD?
- (a) Finance Ministry
(b) Government of India
(c) Reserve Bank of India
(d) Securities and Exchange Board of India
(e) None of the above
- 187.** Who is the present Chairman of SEBI?
- (a) Ajay Tyagi (b) Kshatrapati Shivaji
(c) Yaduvendra Mathur (d) Shaktikanta Das
(e) Urjit Patel

- 188.** At the instance of Government of India Reserve Bank of India (RBI) was constituted a committee to review the arrangements for institutional credit for agriculture and rural development (CRAFICARD) on 30 March 1979, under the Chairmanship of-
- (a) V K Malhotra (b) C Rangarajan
(c) B Sivaraman (d) Hilton Young
(e) None of the above
- 189.** The Government of India, the concerned State Government and the bank, which had sponsored the RRB contributed to the share capital of RRBs in the proportion of _____ respectively.
- (a) 50%, 15% and 35% (b) 50%, 35% and 15%
(c) 35%, 50% and 35% (d) 15%, 50% and 35%
(e) None of the above
- 190.** Regional Rural Banks (RRBs) were established in 1975 under the provisions of the Ordinance promulgated on the 26th September 1975 and followed by which act?
- (a) Companies Act, 1956
(b) RRBs Act, 1976
(c) RBI Act, 1935
(d) Banking Regulation Act, 1949
(e) None of the above
- 191.** FICCI history is closely interwoven with India's struggle for independence, its industrialization, and its emergence as one of the most rapidly growing global economies. What is meaning of "F" in FICCI?
- (a) Follower (b) Federal (c) Financial
(d) Federation (e) None of the above
- 192.** Who was the first Chairman and Managing Director (CMD) of Exim Bank?
- (a) Ravneet Kaur (b) TCA Ranganathan
(c) RC Shah (d) Kalyan Banerji
(e) Yaduvendra Mathur
- 193.** ECGC Ltd. wholly owned by Government of India, was set up in _____ with the objective of promoting exports from the country by providing Credit Risk Insurance and related services for exports.
- (a) 1935 (b) 1982 (c) 1964
(d) 1949 (e) 1957
- 194.** ECGC is essentially an export promotion organization, seeking to improve the competitiveness of the Indian exporters by providing them with credit insurance covers. What is meaning of "G" in ECGC?
- (a) Guarantee (b) General (c) Government
(d) Grameen (e) None of the above
- 195.** AIIB is a new multilateral financial institution founded to bring countries together to address the daunting infrastructure needs across Asia. AIIB stands for-
- (a) Asian Infrastructure Investment Bureau
(b) Asian Infrastructure Investment Bank
(c) Association Infrastructure Investment Bank
(d) Asian International Investment Bank
(e) None of the above
- 196.** The World Bank Group consists of how many organizations-
- (a) One (b) Two (c) Three
(d) Four (e) Five
- 197.** The World Bank is like a cooperative, made up of ----- member countries. These member countries, or shareholders, are represented by a Board of Governors, who are the ultimate policymakers at the World Bank.
- (a) 189 (b) 193 (c) 159
(d) 173 (e) 187
- 198.** Name the agency, which is an agency to provide 'soft-loans' to developing countries?
- (a) Asian Infrastructure Investment Bank (AIIB)
(b) Organization of the Petroleum Exporting Countries (OPEC)
(c) Asian Development Bank (ADB)
(d) World Trade Organization (WTO)
(e) International Development Association (IDA)
- 199.** What is the authorized capital of New Development Bank (NDB)?
- (a) USD 200 billion (b) USD 300 billion
(c) USD 500 billion (d) USD 100 billion
(e) None of the above
- 200.** The first Board of Governors meeting of the BRICS New Development Bank was held in _____ on July 7, 2015 where the Bank formally came into existence as a legal entity.
- (a) Brazil (b) Russia (c) South Africa
(d) India (e) China



Solutions

1. **(b);** A global depository receipt (GDR) is a certificate issued by a depository bank, which purchases shares of foreign companies and deposits it on the account. They are the global equivalent of the original American depository receipts (ADR) on which they are based.
2. **(e);** Investment banking is a specific division of banking related to the creation of capital for other companies, governments and other entities.
3. **(d);** The Varishtha Pension Bima Yojana 2017, a pension scheme for senior citizens, was approved by the Union Cabinet. Varishtha Pension Bima Yojana 2017 provides an assured pension based on a guaranteed rate of return of 8 per cent for 10 years.
4. **(c);** Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE), has established itself as an important institution in facilitating flow of collateral free credit to units in micro and small enterprise (MSE) sector in the last 17 years of its existence. Loan disbursed under MUDRA yojana is insured by CGTMSE.
5. **(b);** The Multilateral Investment Guarantee Agency is an international financial institution which offers political risk insurance and credit enhancement guarantees. The Head Office of MIGA is in Washington DC, USA.
6. **(c);** CRISIL pioneered the first corporate sector rating in 1988. one out of every two companies in India is rated by CRISIL. We have an unmatched coverage of about 70 sectors belonging to 22 industry groups. CRISIL is a analytical company providing ratings, research, and risk and policy advisory services.
7. **(c);** In 1969 the Indian government nationalised 14 major private banks; one of the big banks was Bank of India.
8. **(e);** Amortization is an accounting term that refers to the process of allocating the cost of an intangible asset over a period of time. It also refers to the repayment of loan principal over time.
9. **(b);** National Institute of Securities Markets (NISM) is a public trust, established by the Securities and Exchange Board of India (SEBI), the regulator for securities markets in India. It is located in Navi Mumbai, India.
10. **(d);** No tax would be deducted at source for PF withdrawals of up to Rs. 50,000. The government has notified raising the threshold limit of PF withdrawal for deduction of tax (TDS) from existing Rs. 30,000 to Rs. 50,000.
11. **(a);** Credit card facility has not given by Payment Banks.
12. **(e);** An Equity Linked Savings Scheme (ELSS) is a diversified equity mutual fund which has a majority of the corpus invested in equities. Since it is an equity fund, returns from an ELSS fund reflect returns from the equity markets.
13. **(b);** The compound annual growth rate (CAGR) is a useful measure of growth over multiple time periods. It can be thought of as the growth rate that gets you from the initial investment value to the ending investment value if you assume that the investment has been compounding over the time period.
14. **(a);** NBFC & MFI in India, The working and operations of NBFCs are regulated by the Reserve Bank of India (RBI) within the framework of the Reserve Bank of India Act, 1934.
15. **(a);** Structured Financial Messaging System (SFMS) is a secure messaging standard developed to serve as a platform for intra-bank and inter-bank applications. It is an Indian standard similar to SWIFT which is the international messaging system used for financial messaging globally.
16. **(e);** A credit risk is the risk of default on a debt that may arise from a borrower failing to make required payments. In the first resort, the risk is that of the lender and includes lost principal and interest, disruption to cash flows, and increased collection costs.
17. **(e);** Liquidity Adjustment Facility (LAF) is a monetary policy tool which allows banks to borrow money through repurchase agreements or repos.
18. **(a);** The call money market (CMM) the market where overnight (one day) loans can be availed by banks to meet liquidity. Banks who seeks to avail liquidity approaches the call market as borrowers and the ones who have excess liquidity participate there as lenders.

- 19. (b);** An Initial Coin Offering (ICO) is used by the startups to bypass the rigorous and regulated capital-raising process required by venture capitalists or banks. More accurately known as token sales, ICOs are unregulated means of raising money from public investors, to finance a startup.
- 20. (e);** CASA ratio of a bank is the ratio of deposits in current and saving accounts to total deposits. A higher CASA ratio indicates a lower cost of funds, because banks do not usually give any interests on current account deposits and the interest on saving accounts is usually very low 3-4%.
- 21. (a);** Import substitution industrialization is a trade and economic policy which advocates replacing foreign imports with domestic production.
- 22. (b);** To make the payments process easier the Government of India has launched the Bharat QR Code payments transfer mechanism for cashless electronics payments. Over the past few years a lot of people have moved on to the cashless payment methods using debit and credit cards.
- 23. (c);** Working to foster global monetary cooperation, secure financial stability for member countries is not a function of RBI.
- 24. (d);** Disinflation is a slowing in the rate of price inflation. It is used to describe instances when the inflation rate has reduced marginally over the short term. Although it is used to describe periods of slowing inflation, disinflation should not be confused with deflation, which can be harmful to the economy.
- 25. (e);** An oligopoly is a market form wherein a market or industry is dominated by a small number of sellers (oligopolists).
- 26. (c);** In modern business practice, a letter of credit (LC) also known as a Documentary Credit, is a written commitment by a bank issued after a request by an importer (foreign buyer) that payment will be made to the beneficiary (exporter) provided that the terms and conditions.
- 27. (b);** Banking Correspondents (BCs) are individuals/entities engaged by a bank in India (commercial banks, Regional Rural Banks (RRBs) and Local Area Banks (LABs)) for providing banking services in unbanked / under-banked geographical territories. A banking correspondent works as an agent of the bank and substitutes for the brick and mortar branch of the bank. BCs are paid by that particular bank.
- 28. (e);** Rs 1 lakh is maximum limit for saving accounts in IPPB.
- 29. (a);** The Kisan Credit Card (KCC) scheme is a credit scheme introduced in August 1998 by Indian banks. This model scheme was prepared by the National Bank for Agriculture and Rural Development (NABARD) on the recommendations of R.V.GUPTA to provide term loans and agricultural needs
- 30. (e);** The Loan-To-Value ratio (LTV ratio) is a lending risk assessment ratio that financial institutions and others lenders examine before approving a mortgage.
- 31. (d);** The City Union Bank Limited is an Indian bank. Kumbakonam, Tamil Nadu is the headquarters of City Union Bank.
- 32. (b);** The State Expert Appraisal Committee (SEAC)'s function on the principle of collective responsibility. The Chairperson shall endeavor to reach a consensus in each case, and if consensus cannot be reached, the view of the majority shall prevail.
- 33. (a);** Bandhan Bank Limited is an Indian banking and financial services company headquartered in Kolkata, West Bengal. Bandhan, which started as a micro-finance company in 2001, received banking licence by Reserve Bank of India in 2014.
- 34. (a);** The Society for Worldwide Interbank Financial Telecommunication (SWIFT) provides a network that enables financial institutions worldwide to send and receive information about financial transactions in a secure, standardized and reliable environment.
- 35. (b);** In money market, the amount that is lent for one day is known as "call money" and, if it exceeds one day or two days to 14 days is referred to as "notice money."
- 36. (b);** The interest rate risk is the risk that an investment's value will change due to a change in the absolute level of interest rates, in the spread between two rates, in the shape of the yield curve, or in any other interest rate relationship. Such changes usually affect

- securities inversely and can be reduced by diversifying (investing in fixed-income securities with different durations) or hedging (such as through an interest rate swap).
37. **(d);** The RBI has allowed Asset Reconstruction Companies (ARCs) to hold more than 26% post conversion of debt into equity in companies undergoing restructuring.
38. **(b);** The Banking Codes and Standards Board of India was registered as a society under the Societies Registration Act, 1860 in February 2006. It functions as an independent and autonomous body. Membership of BCSBI is voluntary and open to scheduled banks.
39. **(e);** The National Summary Data Page (NSDP) links are intended to provide quick access to a single comprehensive source of economic and financial data consistent with the data categories and components described in the subscriber's metadata. Additionally, many of the NSDPs include further links to additional data or information on other national Internet data sites.
40. **(d);** Pluto Exchange launches the India's first bitcoin trading app for transacting in virtual currencies. The Pluto Exchange mobile app offers a solution to the coordination problem between payment processors, financial gateways and banks. Pluto Exchange will enable transactions using mobile numbers only. With this, by using a four-digit personal identification number (PIN), users can now buy, sell, store and spend bitcoins via a mobile number.
41. **(e);** From 01.07.2019, interest rates are as follows:-
7.6 % compounded annually
Amount Invested doubles in 113 months (9 years & 5 months)
42. **(b);** Arrangement of selling an insurance product through banks is known as Bancassurance.
43. **(d);** Regulator for the Indian Corporate Debt Market is the Securities and Exchange Board of India (SEBI). SEBI controls bond market and corporate debt market in cases where entities raise money from public through public issues.
44. **(c);** Know your customer(KYC) is an important step developed globally to prevent identity theft, financial fraud, money laundering and terrorist financing.
45. **(d);** There is no requirement for any initial deposit for opening a BSBDA.
46. **(a);** The minimum amount to be remitted through RTGS is Rs2 lakh.
47. **(a);** RNBCs stands for Residuary Non-Banking Companies.
48. **(c);** The term bad debts usually refers to accounts receivable (or trade accounts receivable) that will not be collected.
49. **(b);** Government of India created the RIDF in NABARD in 1995-96, with an initial corpus of Rs.2,000 crore. With the allocation of Rs.28,000 crore for 2018-19 under RIDF XXIV, the cumulative allocation has reached Rs.3,20,500 crore, including Rs. 18,500 crore under Bharat Nirman.
50. **(b);** A savings account is an account maintained by a bank or other financial institutions for individuals to save money and earn interest on the cash held in the account.
51. **(d);** Shanghai, China is the headquartered of New Development Bank (NDB).
52. **(a);** With an initial funding of \$912.7 million, IDA was launched on September 24, 1960 with 15 signatory countries - Australia, Canada, China, Germany, India, Italy, Malaysia, Norway, Pakistan, Sudan, Sweden, Thailand, United Kingdom, United States, and Vietnam.
53. **(e);** National Institute of Bank Management (NIBM) was established in 1969 by the Reserve Bank of India, in consultation with the Government of India, as an autonomous apex institution for research, training, education and consultancy in bank management.
54. **(d);** NIBM stands for National Institute of Bank Management.
55. **(b);** Pune, Maharashtra is the headquartered of National Institute of Bank Management (NIBM).
56. **(a);** National Electronics Funds Transfer (NEFT) is an electronic fund transfer system that operates on a Deferred Net Settlement (DNS) basis which settles transactions in batches.
57. **(b);** The Reserve Bank of India was established on April 1, 1935 in accordance with the provisions of the Reserve Bank of India Act, 1934. The Central Office of the Reserve Bank was initially established in Calcutta but was permanently moved to Mumbai in 1937.

- 58. (c);** The Reserve Bank of India (RBI) is vested with the responsibility of conducting monetary policy. This responsibility is explicitly mandated under the Reserve Bank of India Act, 1934.
- 59. (d);** Marginal Standing Facility (MSF) is a facility under which scheduled commercial banks can borrow additional amount of overnight money from the Reserve Bank by dipping into their Statutory Liquidity Ratio (SLR).
- 60. (e);** The Hon'ble Prime Minister of India, while presenting the Union Budget for 1987-88 on February 28, 1987 announced the decision to establish the National Housing Bank (NHB) as an apex level institution for housing finance. NHB was set up on July 9, 1988 under the National Housing Bank Act, 1987.
- 61. (a);** Non -performing Assets (NPA) is an asset, including a leased asset, becomes non-performing when it ceases to generate income for the bank.
- 62. (e);** NPA stands for Non -performing Assets.
- 63. (a);** MUDRA, which stands for Micro Units Development & Refinance Agency Ltd, is a financial institution being set up by Government of India for development and refinancing micro units' enterprises.
- 64. (d);** MUDRA, which stands for Micro Units Development & Refinance Agency Ltd, is a financial institution being set up by Government of India for development and refinancing micro units' enterprises. It was announced by the Hon'ble Finance Minister while presenting the Union Budget for FY 2016. The purpose of MUDRA is to provide funding to the non-corporate small business sector through various Last Mile Financial Institutions like Banks, NBFCs and MFIs.
- 65. (d);** India was one of the first in Asia to recognize the effectiveness of the Export Processing Zone (EPZ) model in promoting exports, with Asia's first EPZ set up in Kandla, Gujarat in 1965.
- 66. (a);** India was one of the first in Asia to recognize the effectiveness of the Export Processing Zone (EPZ) model in promoting exports, with Asia's first EPZ set up in Kandla, Gujarat in 1965.
- 67. (c);** A non -performing asset (NPA) is a loan or an advance where interest and/or installment of principal remain overdue for a period of more than 90 days in respect of a term loan.
- 68. (d);** A non -performing asset (NPA) is a loan or an advance where;
1. interest and/or installment of principal remain overdue for a period of more than 90 days in respect of a term loan.
 2. the account remains 'out of order' in respect of an Overdraft/Cash Credit (OD/CC).
 3. the bill remains overdue for a period of more than 90 days in the case of bills purchased and discounted.
 4. the instalment of principal or interest there on remains overdue for two crop seasons for short duration crops.
 5. the instalment of principal or interest there on remains overdue for one crop season for long duration crops.
 6. the amount of liquidity facility remains outstanding for more than 90 days, in respect of a securitisation transaction undertaken in terms of guidelines on securitisation dated February 1, 2006.
 7. in respect of derivative transactions, the overdue receivables representing positive mark-to-market value of a derivative contract, if these remain unpaid for a period of 90 days from the specified due date for payment.
- 69. (d);** MUDRA, which stands for Micro Units Development & Refinance Agency Ltd, is a financial institution being set up by Government of India for development and refinancing micro units' enterprises. It was announced by the Hon'ble Finance Minister while presenting the Union Budget for FY 2016. The purpose of MUDRA is to provide funding to the non-corporate small business sector through various Last Mile Financial Institutions like Banks, NBFCs and MFIs.
- 70. (a);** MUDRA Bank, a Non Banking Finance Company as MUDRA Ltd has been set up as a subsidiary of SIDBI.
- 71. (c);** India was one of the first in Asia to recognize the effectiveness of the Export Processing Zone (EPZ) model in promoting exports, with Asia's first EPZ set up in Kandla, Gujarat in 1965. With a view to overcome the shortcomings experienced on account of the multiplicity of controls and clearances; absence of world-class infrastructure, and an unstable fiscal regime and with a view to attract larger foreign investments in India, the Special Economic Zones (SEZs) Policy was announced in April 2000.

- 72. (b);** SEZs stands for Special Economic Zones.
- 73. (b);** Banks are required to classify non-performing assets further into the following three categories based on the period for which the asset has remained non-performing and the realizability of the dues:
1. Sub-standard Assets
 2. Doubtful Assets
 3. Loss Assets
- 74. (b);** Banks are required to classify non-performing assets further into the following three categories based on the period for which the asset has remained non-performing and the realizability of the dues:
1. Sub-standard Assets
 2. Doubtful Assets
 3. Loss Assets
- 75. (c);** PMMY stands for Pradhan Mantri MUDRA Yojana.
- 76. (c);** MUDRA gives loan in three categories. The categories have been named 'Shishu', 'Kishor' and 'Tarun'.
- 77. (b);** Arun is not a loan category of MUDRA bank.
- 78. (e);** India was one of the first in Asia to recognize the effectiveness of the Export Processing Zone (EPZ) model in promoting exports, with Asia's first EPZ set up in Kandla, Gujarat in 1965. With a view to overcome the shortcomings experienced on account of the multiplicity of controls and clearances; absence of world-class infrastructure, and an unstable fiscal regime and with a view to attract larger foreign investments in India, the Special Economic Zones (SEZs) Policy was announced in April 2000.
- 79. (e);** The main objectives of the SEZ Act are-
- (a) Generation of additional economic activity
 - (b) Promotion of exports of goods and services;
 - (c) Promotion of investment from domestic and foreign sources;
 - (d) Creation of employment opportunities;
 - (e) Development of infrastructure facilities
- 80. (a);** With effect from 31 March 2005, a sub-standard asset would be one, which has remained NPA for a period less than or equal to 12 months. In such cases, the current net worth of the borrower/guarantor or the current market value of the security charged is not enough to ensure recovery of the dues to the banks in full.
- 81. (c);** With effect from March 31, 2005, an asset would be classified as doubtful if it has remained in the sub-standard category for a period of 12 months. A loan classified as doubtful has all the weaknesses inherent in assets that were classified as sub-standard, with the added characteristic that the weaknesses make collection or liquidation in full,- on the basis of currently known facts, conditions and values - highly questionable and improbable.
- 82. (b);** Under the aegis of Pradhan Mantri MUDRA Yojana (PMMY), MUDRA has already created its initial products/schemes. The interventions have been named 'Shishu', 'Kishor' and 'Tarun' to signify the stage of growth/development and funding needs of the beneficiary micro unit / entrepreneur and also to provide a reference point for the next phase of graduation / growth to look forward to. The financial limit for these schemes is:-
- (a) Shishu:- covering loans up to 50,000/-
 - (b) Kishor:- covering loans above 50,000/- and up to 5 lakh
 - (c) Tarun:- covering loans above 5 lakh to 10 lakh
- 83. (e);** Under the aegis of Pradhan Mantri MUDRA Yojana (PMMY), MUDRA has already created its initial products/schemes. The interventions have been named 'Shishu', 'Kishor' and 'Tarun' to signify the stage of growth/development and funding needs of the beneficiary micro unit / entrepreneur and also to provide a reference point for the next phase of graduation / growth to look forward to. The financial limit for these schemes is:-
- (a) Shishu:- covering loans up to 50,000/-
 - (b) Kishor:- covering loans above 50,000/- and up to 5 lakh
 - (c) Tarun:- covering loans above 5 lakh to 10 lakh
- 84. (b);** The incentives and facilities offered to the units in SEZs for attracting investments into the SEZs, including foreign investment include:-
- (a) Duty free import/domestic procurement of goods for development, operation and maintenance of SEZ units
 - (b) 100% Income Tax exemption on export income for SEZ units under Section 10AA of the Income Tax Act for first 5 years, 50% for next 5 years thereafter and 50% of the ploughed back export profit for next 5 years.

- (c) Exemption from minimum alternate tax under section 115JB of the Income Tax Act.
- (d) External commercial borrowing by SEZ units up to US \$ 500 million in a year without any maturity restriction through recognized banking channels.
- (e) Exemption from Central Sales Tax.
- (f) Exemption from Service Tax.
- (g) Single window clearance for Central and State level approvals.
- (h) Exemption from State sales tax and other levies as extended by the respective State Governments.
- 85. (a);** Special Economic Zones (SEZs) is a specifically delineated duty-free enclave and shall be deemed to be foreign territory for the purposes of trade operations and duties and tariffs.
- 86. (e);** Narasimham Committee Report I (1991) recommended the setting up of Special Tribunals to reduce the time required for settling cases. Accepting the recommendations, Debt Recovery Tribunals (DRTs) were established.
- 87. (a);** DRTs stands for Debt Recovery Tribunals.
- 88. (e);** Under the aegis of Pradhan Mantri MUDRA Yojana (PMMY), MUDRA has already created its initial products/schemes. The interventions have been named 'Shishu', 'Kishor' and 'Tarun' to signify the stage of growth/development and funding needs of the beneficiary micro unit / entrepreneur and also to provide a reference point for the next phase of graduation / growth to look forward to. The financial limit for these schemes is:-
- (a) Shishu:- covering loans up to 50,000/-
- (b) Kishor:- covering loans above 50,000/- and up to 5 lakh
- (c) Tarun:- covering loans above 5 lakh to 10 lakh
- 89. (d);** Private sector, Public sector and State government can set up Special Economic Zones (SEZs).
- 90. (b);** Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act 2002 is popularly known as Securitization Act. This act enables the banks to issue notices to defaulters who have to pay the debts within 60 days. Once the notice is issued the borrower cannot sell or dispose the assets without the consent of the lender. The Securitization Act further empowers the banks to take over the possession of the assets and management of the company. The lenders can recover the dues by selling the assets or changing the management of the firm. The Act also enables the establishment of Asset Reconstruction Companies for acquiring NPA.
- 91. (a);** Monetary policy refers to the policy of the central bank with regard to the use of monetary instruments under its control to achieve the goals specified in the Act. The Reserve Bank of India (RBI) is vested with the responsibility of conducting monetary policy. This responsibility is explicitly mandated under the Reserve Bank of India Act, 1934.
- 92. (d);** The primary objective of monetary policy is to maintain price stability while keeping in mind the objective of growth. Price stability is a necessary precondition to sustainable growth. In May 2016, the Reserve Bank of India (RBI) Act, 1934 was amended to provide a statutory basis for the implementation of the flexible inflation targeting framework.
- 93. (e);** The Banking Ombudsman Scheme enables an expeditious and inexpensive forum to bank customers for resolution of complaints relating to certain services rendered by banks. The Banking Ombudsman Scheme is introduced under Section 35 A of the Banking Regulation Act, 1949 by RBI with effect from 1995.
- 94. (b);** The SDR was created by the IMF in 1969 as a supplementary international reserve asset, in the context of the Bretton Woods fixed exchange rate system.
- 95. (d);** Indian Banks' Association (IBA) set up in 1946 with 22 members to discuss issues of common interests. Over the years, IBA emerged as the Voice of Indian Banking Industry.
- 96. (b);** Indian Banks' Association (IBA) set up in 1946 with 22 members to discuss issues of common interests. Over the years, IBA emerged as the Voice of Indian Banking Industry.
- 97. (b);** present Repo Rate is 5.15 %.
- 98. (e);** Cash Reserve Ratio is Reserve ratio of RBI.
- 99. (d);** The Banking Ombudsman is a senior official appointed by the Reserve Bank of India to redress customer complaints against deficiency in certain banking services.

- 100. (e);** As on January 2020, there are 22 Banking Ombudsman centre located in India. This are-
1. Ahmedabad, Gujarat
 2. Bengaluru, Karnataka
 3. Bhopal, Madhya Pradesh
 4. Bhubaneswar, Odisha
 5. Chandigarh
 6. Chennai, Tamil Nadu
 7. Guwahati, Assam
 8. Hyderabad, Andhra Pradesh
 9. Jaipur, Rajasthan
 10. Kanpur, Uttar Pradesh
 11. Kolkata, West Bengal
 12. Mumbai (I), Maharashtra
 13. Mumbai (II), Maharashtra
 14. New Delhi (I)
 15. New Delhi (II)
 16. Patna, Bihar
 17. Thiruvananthapuram, Kerala
 18. Dehradun, Uttarakhand
 19. Ranchi, Jharkhand
 20. Jammu, Jammu and Kashmir
 21. Raipur, Chhattisgarh
 22. New Delhi (III)
- 101. (c);** The International Bank for Reconstruction and Development (IBRD) is an international financial institution that offers loans to middle-income developing countries.
- 102. (d);** The Comptoir d'Escompte de Paris opened a branch in Calcutta in 1860, and another in Bombay in 1862; branches followed in Madras and Pondicherry. HSBC established itself in Bengal in 1869.
- 103. (d);** The promoters of Small Finance Banks should have 10 years experience in banking and finance.
- 104. (a);** After making Legal Entity Identifier (LEI) mandatory for transactions in interest rate, forex and credit derivative market, the Reserve Bank of India (RBI) is set to make LEI compulsory for companies having aggregate fund-based and non-fund based exposure over Rs 5 crore.
- 105. (d);** Stock Holding Corporation of India Ltd (SHCIL), India's largest custodian and depository participant.
- 106. (a);** The capital adequacy ratio (CAR) is a measurement of a bank's available capital expressed as a percentage of a bank's risk-weighted credit exposures.
- 107. (a);** HDFC Bank, India's second-largest private sector lender has launched a 10-second paperless instant loan Scheme for its existing customers. The 10-second loan Scheme was launched as part of HDFC Bank's digital banking platform GoDigital. With this, HDFC bank became first banking institution to completely automate the entire process of loan approval and disbursement.
- 108. (e);** Present Marginal Standing Facility (MSF) rate is 5.40 percent.
- 109. (b);** A deposit of money that can be withdrawn without prior notice is known as Demand Deposits, Ex:- in a current account.
- 110. (a);** Anything tangible or intangible that can be owned or controlled to produce value and that is held to have positive economic value is considered an asset.
- 111. (c);** Fino Payments Bank has launched its mobile banking app called BPay. Fino aims to make banking easy for millions of underbanked people in India. The upgraded BPay app is available on Android at present
- 112. (a);** The Headoffice of European Bank for Reconstruction & Development (EBRD) is in London, UK.
- 113. (d);** The Ministry of Finance increased the maximum age of joining the National Pension System (NPS) from the existing 60 years to 65 years under NPS - Private Sector (i.e. all citizen and corporate model)
- 114. (e);** IIFCL is a wholly-owned Government of India company set up in 2006 to provide long-term finance to viable infrastructure projects through the Scheme for Financing Viable Infrastructure Projects through a Special Purpose Vehicle called India Infrastructure Finance Company Ltd (IIFCL), broadly referred to as SIFTI.
- 115. (b);** Amounts up to INR 50,000/- may be paid in cash to a beneficiary in India under MTSS.
- 116. (b);** A local cheque is issued by a bank in the same city as the payee.
- 117. (c);** Commercial Paper (CP) can be issued for maturities between a minimum of 7 days and a maximum of up to one year from the date of issue.
- 118. (c);** The PCA framework is applicable only to commercial banks and not extended to co-operative banks, non-banking financial companies (NBFCs) and FMs.

- 119. (d);** Head office of IndusInd Bank is in Mumbai
- 120. (d);** DEMAT or De-materialized Account refers to a deposit made at an Indian financial institution that can be used for investing in shares of stocks and other financial assets. Securities are held electronically in a DEMAT Account, thereby eliminating the need for physical paper certificates
- 121. (e);** KVP certificates are available in the denominations of Rs 1000, Rs 5000, Rs 10000 and Rs 50000. The minimum amount that can be invested is Rs 1000. However, there is no upper limit on the purchase of KVPs.
- 122. (b);** The UIDAI or Unique Identification Authority of India has launched a new mobile app, called mAadhaar, that will negate the need to carry the Aadhaar card in wallets.
- 123. (e);** The Index of Industrial Production (IIP) is an index for India which details out the growth of various sectors in an economy such as mineral mining, electricity and manufacturing. The all India IIP is a composite indicator that measures the short-term changes in the volume of production of a basket of industrial products during a given period with respect to that in a chosen base period. It is compiled and published monthly by the Central Statistical Organisation (CSO)
- 124. (d);** Marginal Standing Facility (MSF) is a facility under which scheduled commercial banks can borrow additional amount of overnight money from the Reserve Bank by dipping into their Statutory Liquidity Ratio (SLR).
- 125. (d);** The State Bank of India has introduced a loyalty program for its valued customers. This program is called as State Bank Rewardz, the program gives the customers several opportunities to earn reward points and earn many times faster at Max Get More partner outlets.
- 126. (a);** The Postal Service Board, the apex management body of the Department of Posts, comprises the Chairman and six Members.
- 127. (e);** Reverse Repo Rate- 4.90 percent, presently
- 128. (b);** A recession is when the economy declines significantly for at least six months. That means there's a drop in the following five economic indicators: real GDP, income, employment, manufacturing and retail sales. People often say a recession is when the GDP growth rate is negative for two consecutive quarters or more.
- 129. (d);**
- 130. (a);** Taxpayers who are earning between Rs.50 lacs to Rs.1 crore have to pay an additional surcharge of 10% on their total income which was not the case earlier. However, there has been no change in the surcharge which is additionally levied at 15% whose income is above Rs.1 crore.
- 131. (a);** In the financial or banking world, a consortium refers to several lending institutions that group together to jointly finance a single borrower.
- 132. (c);** World Business Council for Sustainable Development (WBCSD) headquarters in Geneva, Switzerland. WBCSD CEO and President is Peter Bakker.
- 133. (d);** The tenure of an Fixed Deposit or Term Deposit can vary from 7, 15 or 45 days to 1.5 years and can be as high as 10 years.
- 134. (d);** The Special Drawing Right (SDR) is an international reserve asset, created by the IMF in 1969 to supplement the existing official reserves of member countries.
- 135. (d);** Ujjivan Small Finance Bank Limited Ujjivan Small Finance Bank Limited is a bank licensed under Section 22 of the Banking Regulation Act, 1949 to carry out small finance bank business in India.
- 136. (b);** Budgetary deficit is the difference between all receipts and expenses in both revenue and capital account of the government. If revenue expenses of the government exceed revenue receipts, it results in revenue account deficit. Similarly, if the capital disbursements of the government exceed capital receipts, it leads to capital account deficit. Budgetary deficit is usually expressed as a percentage of GDP.
- 137. (b);** NBFCs are incorporated under the Companies Act, 1956.
- 138. (d);** Society for Worldwide Interbank Financial Telecommunication (SWIFT) Code is a standard format of Bank Identifier Codes(BIC) for banks to identify banks and financial institutions globally.
- 139. (d);** Call money market is a market for uncollateralized lending and borrowing of funds. This market is predominantly overnight and is open for participation only to scheduled commercial banks and the primary dealers.

- 140. (c);** The government launched the 'Bharat 22' exchange traded fund (ETF) managed by ICICI Prudential Mutual Fund, targeting an initial amount of about Rs8,000 crore
- 141. (d);** The Board of experts named the Board for Industrial and Financial Reconstruction (BIFR) was set up in January 1987 and functional with effect from 15th May 1987. The Appellate Authority for Industrial and Financial Reconstruction (AAIFR) was constituted in April 1987. Government companies were brought under the purview of SICA in 1991 when extensive changes were made in the Act including, inter-alia, changes in the criteria for determining industrial sickness.
- 142. (b);** ICICI Bank is the first Universal Bank in India.
- 143. (a);** An agreement on Trade-Related Investment Measures which specifies the rules that are applicable to the domestic regulations a country applies to foreign investors. The agreement is applicable to all members of the World Trade Organisation (WTO).
- 144. (c);** Treasury bills (T-bills) offer short-term investment opportunities, generally up to one year. They are thus useful in managing short-term liquidity. At present, the Government of India issues three types of treasury bills through auctions, namely, 91-day, 182-day and 364-day. There are no treasury bills issued by State Governments.
- 145. (d);** Multi Commodity Exchange of India Ltd (MCX) is an independent commodity exchange based in India. It was established in 2003 and is based in Mumbai.
- 146. (d);** A credit rating agency (CRA, also called a ratings service) is a company that assigns credit ratings, which rate a debtor's ability to pay back debt by making timely interest payments and the likelihood of default. Example:- ICRA, CRISIL, and Standard and Poor's (S&P).
- 147. (d);** Drawee is a legal and banking term used to describe the party that has been directed by the depositor to pay a certain sum of money to the person presenting the check or draft. A typical example is if you are cashing a paycheck.
- 148. (b);** Deutsche Bank AG is a German global banking and financial services company, with its headquarters in the Deutsche Bank Twin Towers in Frankfurt. Deutsche Bank was founded in Berlin in 1870 as a specialist bank for foreign trade.
- 149. (b);** The Indian currency system was converted into decimal system by Indian Coinage (Amendment) Act 1955 which brought into force from April 01st 1957.
- 150. (d);** ABN AMRO Bank N.V. is a Dutch bank with headquarters in Amsterdam. ABN AMRO Bank is the third-largest bank in the Netherlands. In 1991, Algemene Bank Nederland (ABN) and AMRO Bank (itself the result of a merger of the Amsterdamsche Bank and the Rotterdamsche Bank in the 1960s) agreed to merge to create the original ABN AMRO.
- 151. (d);** National Payments Corporation of India (NPCI) is an umbrella organization for all retail payments system in India. It was set up with the guidance and support of the Reserve Bank of India (RBI) and Indian Banks' Association (IBA).
- 152. (a);** NPCI was incorporated in December 2008 and the Certificate of Commencement of Business was issued in April 2009. It was incorporated as a Section 25 company under Companies Act 1956 (now Section 8 of Companies Act 2013) and is aimed to operate for the benefit of all the member banks and their customers.
- 153. (e);** Established on 17 May 1930, the Bank for International Settlements (BIS) is the world's oldest international financial organization. The BIS has 60 member central banks, representing countries from around the world that together make up about 95% of world GDP.
- 154. (c);** Basel, Switzerland is the head office of Bank for International Settlements (BIS).
- 155. (b);** NPCI was incorporated as a Section 25 company under Companies Act 1956 (now Section 8 of Companies Act 2013) and is aimed to operate for the benefit of all the member banks and their customers.
- 156. (c);** Sir Osborne Smith was the first Governor of the Reserve Bank. A professional banker, he served for over 20 years with the Bank of New South Wales and 10 years with the Commonwealth Bank of Australia before coming to India in 1926 as a Managing Governor of the Imperial Bank of India.
- 157. (c);** The scheduled commercial banks are those banks which are included in the second schedule of RBI Ac 1934. Scheduled Commercial Banks are grouped under following categories:
1. State Bank of India
 2. Nationalised Banks
 3. Foreign Banks
 4. Regional Rural Banks
 5. Other Scheduled Commercial Banks

- 158. (d);** Axis Bank Ltd is the third largest of the private-sector banks in India and it is not merged with SBI in April 2017.
- 159. (d);** Founded in 1943, UCO Bank is a commercial bank and a Government of India Undertaking.
- 160. (a);** ING Vysya Bank has successfully merged with Kotak Bank with effect from April 1, 2015, and will bear the name Kotak Mahindra Bank.
- 161. (c);** For providing postal services, the whole country has been divided into 23 postal circles. Each Circle is co-terminus? with a State except for Gujarat Circle (which also administers the Union Territories of Daman & Diu and Dadra & Nagar Haveli), Kerala Circle (which includes the Union Territory of Lakshadweep)?, Maharashtra Circle (which has within its jurisdiction the State of Goa), North East Circle (which comprises six North Eastern States - Arunachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland & Tripura), Punjab Circle (which has within its administrative jurisdiction, the Union Territory of Chandigarh), and Tamil Nadu Circle (which also administers the Union Territory of Pondicherry). Each of these Circles is headed by a Pr. Chief Postmaster General or Chief Postmaster General. Each Circle is further divided into Regions comprising field units, called Divisions (Postal / RMS Divisions). Each Region is headed by a Postmaster General. In the Circles and Regions there are other functional units like Circle Stamp Depots, Postal Stores Depots and Mail Motor Service etc. Besides these 23 Circles, there is another Circle, called Base Circle, to cater to the postal communication needs of the Armed Forces. The Base Circle is headed by an Additional Director General, Army Postal Service in the rank of a Major General. The officer cadre of the Army Postal Service comprises officers on deputation from the Civil Posts. Seventy five percent of the other ranks of the Army Postal Service are also drawn from the Department of Posts and the remaining personnel are recruited by the Army.
- 162. (c);** The Reserve Bank of India (RBI) has gave in-principle approvals to infrastructure financier IDFC Ltd and microlender Bandhan Financial Services Pvt. Ltd to start new banks in 2014.
- 163. (c);** Shaktikanta Das is an Indian retired 1980 batch Indian Administrative Service officer of Tamil Nadu cadre. Currently serving as the 25th governor of the Reserve Bank of India,
- 164. (d);** HSBC bank first introduced Automated Teller Machine (ATM) in India (1987).
- 165. (a);** Bank of Rajasthan was merged with ICICI Bank in 2010.
- 166. (d);** PSLCs stands for Priority Sector Lending Certificates.
- 167. (a);** The Banking Ombudsman Scheme enables an expeditious and inexpensive forum to bank customers for resolution of complaints relating to certain services rendered by banks. The Banking Ombudsman Scheme is introduced under Section 35 A of the Banking Regulation Act, 1949 by RBI with effect from 1995.
- 168. (e);** Money Transfer Service Scheme (MTSS) are the most common arrangements under which the remittances are received into the country.
- 169. (d);** International Financial System (IFS) is software developed by UPU to coordinate international remittance services among the partner countries. At present the service is operational with La Poste Group, France and UAE.
- 170. (c);** RDA stands for Rupee Drawing Arrangement.
- 171. (e);** NABARD came into existence on 12 July 1982 by transferring the agricultural credit functions of RBI and refinance functions of the then Agricultural Refinance and Development Corporation (ARDC). It was dedicated to the service of the nation by the late Prime Minister Smt. Indira Gandhi on 05 November 1982.
- 172. (b);** The mission of NABARD is Promote sustainable and equitable agriculture and rural prosperity through effective credit support, related services, institution development and other innovative initiatives. NABARD stands for National Bank for Agriculture and Rural Development.
- 173. (a);** Securities Appellate Tribunal (SAT) is a statutory body established under the provisions of Section 15K of the Securities and Exchange Board of India Act, 1992 to hear and dispose of appeals against orders passed by the Securities and Exchange Board of India or by an adjudicating officer under the Act and to exercise jurisdiction, powers and authority conferred on the Tribunal by or under this Act or any other law for the time being in force.
- 174. (b);** The Securities and Exchange Board of India (SEBI) was established on April 12, 1992 in accordance with the provisions of the Securities and Exchange Board of India Act, 1992.

- 175. (d);** NABARD was set up with an initial capital of Rs.100 crore, its' paid up capital stood at Rs. 5,000 crore as on 31st March 2016.
- 176. (a);** Only ICICI Bank are authorized to handle the Senior Citizens Savings Scheme (SCSS), 2004.
- 177. (c);** The Government of India has enacted the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 in terms of which the definition of micro, small and medium enterprises. As under a micro enterprise is an enterprise where investment in plant and machinery does not exceed Rs 25 lakhs.
- 178. (b);** Commercial Paper (CP) is an unsecured money market instrument issued in the form of a promissory note. It was introduced in India in 1990.
- 179. (e);** RBI has maintained the Principal Accounts of Central as well as State Governments at its Central Accounts Section.
- 180. (d);** Corporate, primary dealers (PDs) and the All-India Financial Institutions (FIs) are eligible to issue Commercial Paper (CP).
- 181. (e);** Under On-line Tax Accounting System (OLTAS), only a Single Copy Challan is used with a tear off portion for the Tax Payer.
- 182. (d);** Commercial Paper (CP) can be issued for maturities between a minimum of 7 days and a maximum of up to one year from the date of issue.
- 183. (d);** All commercial banks including branches of foreign banks functioning in India, local area banks and regional rural banks are insured by the DICGC.
- 184. (c);** Money Transfer Service Scheme is a quick and easy way of transferring personal remittances from abroad to beneficiaries in India. Only inward personal remittances into India such as remittances towards family maintenance and remittances favoring foreign tourists visiting India are permissible. No outward remittance from India is permissible under MTSS.
- 185. (a);** Each depositor in a bank is insured upto a maximum of Rs.1,00,000 (Rupees One Lakh) for both principal and interest amount held by him in the same capacity and same right as on the date of liquidation/cancellation of bank's licence or the date on which the scheme of amalgamation/merger/reconstruction comes into force.
- 186. (b);** The government of India holds 100% stake in NABARD.
- 187. (a);** Ajay Tyagi is the present Chairman of SEBI.
- 188. (c);** The importance of institutional credit in boosting rural economy has been clear to the Government of India right from its early stages of planning. Therefore, the Reserve Bank of India (RBI) at the insistence of the Government of India, constituted a Committee to Review the Arrangements For Institutional Credit for Agriculture and Rural Development (CRAFICARD) to look into these very critical aspects. The Committee was formed on 30 March 1979, under the Chairmanship of Shri B. Sivaraman, former member of Planning Commission, Government of India.
- 189. (a);** In RRBs, 50% share shall be held by the central government, 15% by the concerned state government and 35% by the sponsor bank.
- 190. (b);** Regional Rural Banks were set up by the Government of India under Regional Rural Banks act 1976.
- 191. (d);** Established in 1927, Federation of Indian Chambers of Commerce and Industry (FICCI) is the largest and oldest apex business organisation in India. Its history is closely interwoven with India's struggle for independence, its industrialization, and its emergence as one of the most rapidly growing global economies.
- 192. (c);** Established by the Government of India, we commenced operations in 1982 under the Export-Import Bank of India Act, 1981 as a purveyor of export credit, mirroring global Export Credit Agencies. R.C. Shah was the first Chairman and Managing Director (CMD) from 1982 - 1985 of Exim Bank.
- 193. (e);** ECGC Ltd. (Formerly Export Credit Guarantee Corporation of India Ltd.), wholly owned by Government of India, was set up in 1957 with the objective of promoting exports from the country by providing Credit Risk Insurance and related services for exports.
- 194. (a);** ECGC Ltd (Formerly Export Credit Guarantee Corporation of India Ltd.).
- 195. (b);** The Asian Infrastructure Investment Bank (AIIB) is a new multilateral financial institution founded to bring countries together to address the daunting infrastructure needs across Asia.

- 196. (e);** The World Bank Group consists of five organizations. These are:-
1. International Bank for Reconstruction and Development (IBRD)
 2. International Development Association (IDA)
 3. International Finance Corporation (IFC)
 4. Multilateral Investment Guarantee Agency (MIGA)
 5. International Centre for Settlement of Investment Disputes (ICSID)
- 197. (a);** The World Bank is like a cooperative, made up of 189 member countries. These member countries, or shareholders, are represented by a

Board of Governors, who are the ultimate policymakers at the World Bank.

198. (e); International Development Association (IDA) is an agency to provide 'soft-loans' to developing countries.

199. (d); The New Development Bank has an initial subscribed capital of US\$50 billion and an initial authorized capital of US\$100 billion.

200. (b); The inaugural meeting of the Board of Governors of the NDB was chaired by Russia and held on the eve of the Ufa Summit on 7 July 2015, when the Bank formally came into existence as a legal entity.

