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BANKING Awareness

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DISHA PUBLICATION

45, 2nd Floor, Maharishi Dayanand Marg,
Corner Market, Malviya Nagar, New Delhi - 110017
Tel : 49842349 / 49842350

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Contents

☞ Budget 2021-22	N-1-5
☞ Current Banking Awareness	N-6-10
☞ Banking schemes & Policies	N- 11-15
☞ Past and Practice MCQ's	N-16-20

1.	Evolution and Development of Banking in India	1-8
2.	Types of Banking in India 3 November 2024	9-16
3.	RBI and its Functions	17-31
4.	Nationalisation of Banks	32-36
5.	Financial Markets in India 5 November 2024	37-47
6.	Financial Organizations in India	48-54
7.	NBFCs in India	55-57
8.	All about the Basel Norms	58-61
9.	Important Committees in Banking Sector	62-67
10.	MUDRA Bank	68-70
11.	Small Finance Banks & Payment Banks in India	71-78
12.	Credit card-Debit card-Smart card ATMs in India	79-89

13.	Banks Board Bureau & Indian Banks' Association	90-92
14.	NPCI and its Products	93-97
15.	Banking and NBFC Ombudsman	98-102
16.	World Bank-IMF-IDA-ADB-NDB-AIIB 6 November 2024	103-109
17.	Mutual Funds	110-114
18.	Cheques and its types 7 November 2024	115-118
19.	Risks in Banking Sector	119-124
20.	'Indradhanush' Strategy to Revamp PSU Banks	125-127
21.	Headquarters and Taglines of Public Sector Banks	128-132
22.	Miscellaneous Terms used in Banking Sector	133-144
23.	Types of Money	145-151
24.	Financial Schemes of Government	152-159
25.	Priority Sector Lending	160-165
26.	Insurance Industry	166-171
27.	Deposit Insurance and Credit Guarantee Corporation	172-176
28.	Financial Inclusion and the Related Schemes	177-186
29.	Monetary Policy of RBI & Monetary Policy Committee	187-192
30.	NPA & SARFAESI	193-198
31.	Shares and Debentures	199-203
32.	Negotiable Instruments	204-210
33.	Financial Terms & Abbreviations	211-217
34.	Currency System in India	218-223
35.	Union Budget 2020-21 & Recent Economic Developments	224-288

BUDGET 2021-22

The Budget proposals for 2021-2022 rest on 6 pillars.

1. Health and Wellbeing
2. Physical & Financial Capital, and Infrastructure
3. Inclusive Development for Aspirational India
4. Reinvigorating Human Capital
5. Innovation and R&D
6. Minimum Government, Maximum Governance

1. Health Systems

A new centrally sponsored scheme, **PM AtmaNirbhar Swasth Bharat Yojana**, will be launched with an outlay of about ₹ 64,180 crores over 6 years. This will develop capacities of primary, secondary, and tertiary care Health Systems, strengthen existing national institutions, and create new institutions, to cater to detection and cure of new and emerging diseases. This will be in addition to the National Health Mission.

Nutrition

Supplementary Nutrition Programme and the Poshan Abhiyan will be merged to launch the Mission Poshan 2.0. There will be adoption of an intensified strategy to improve nutritional outcomes across 112 Aspirational Districts.

Universal Coverage of Water Supply

The Jal Jeevan Mission (Urban), will be launched. It aims at universal water supply in all 4,378 Urban Local Bodies with 2.86 crores household tap connections, as well as liquid waste management in 500 AMRUT cities.

Swachh Bharat, Swasth Bharat

For further swachhta of urban India, there will be focus on complete faecal sludge management and waste water treatment, source segregation of garbage, reduction in

single-use plastic, reduction in air pollution by effectively managing waste from construction-and-demolition activities and bio-remediation of all legacy dump sites.

Scrapping Policy

A voluntary vehicle scrapping policy will be brought to phase out old and unfit vehicles. This will help in encouraging fuel- efficient, environment friendly vehicles. Vehicles would undergo fitness tests in automated fitness centres after 20 years in case of personal vehicles, and after 15 years in case of commercial vehicles.

Vaccines

The Pneumococcal Vaccine, a Made in India product, is presently limited to only 5 states will be rolled out across the country.

₹35,000 crores have been given for Covid-19 vaccine in BE 2021-22.

2. Physical and Financial Capital and Infrastructure

Textiles

A scheme of Mega Investment Textiles Parks (MITRA) will be launched in addition to the PLI scheme. This will create world class infrastructure with plug and play facilities to enable create global champions in exports. 7 Textile Parks will be established over 3 years.

Infrastructure

The National Infrastructure Pipeline (NIP) was launched with 6835 projects; the project pipeline has now expanded to 7,400 projects. Around 217 projects worth ₹1.10 lakh crores under some key infrastructure Ministries have been completed.

Sharp Increase in Capital Budget

In the BE 2020-21, govt. had provided ₹4.12 lakh crores for Capital Expenditure and it is likely to end the year at around ₹4.39 lakh crores (RE 2020-21). For 2021-22, there will be a sharp increase in capital expenditure and

thus have provided ₹5.54 lakh crores which is 34.5% more than the BE of 2020-21. Over and above this expenditure, Centre would also be providing more than ₹2 lakh crores to States and Autonomous Bodies for their Capital Expenditure.

Roads and Highways Infrastructure

By March 2022, Govt. would be awarding another 8,500 kms and complete an additional 11,000 kms of national highway corridors.

Railway Infrastructure

Indian Railways have prepared a National Rail Plan for India – 2030. The Plan is to create a ‘future ready’ Railway system by 2030.

It is expected that Western Dedicated Freight Corridor (DFC) and Eastern DFC will be commissioned by June 2022.

Power Infrastructure

The distribution companies across the country are monopolies, either government or private. There is a need to provide choice to consumers by promoting competition. A framework will be put in place to give consumers alternatives to choose from among more than one Distribution Company.

Hydrogen Energy Mission is proposed in 2021-22 for generating hydrogen from green power sources.

Ports, Shipping, Waterways

Major Ports will be moving from managing their operational services on their own to a model where a private partner will manage it for them. For the purpose, 7 projects worth more than ₹2,000 crores will be offered by the Major Ports on Public Private Partnership mode in FY21-22.

Petroleum & Natural Gas

Ujjwala Scheme which has benefited 8 crores households will be extended to cover 1 crores more beneficiaries.

100 more districts to be added in next 3 years to the City Gas Distribution network. A gas pipeline project will be taken up in Union Territory of Jammu & Kashmir.

Financial Capital

To instill confidence amongst the participants in the Corporate Bond Market during times of stress and to generally enhance secondary market liquidity, it is proposed to create a permanent institutional framework. The proposed body would purchase investment grade debt securities both in stressed and normal times and help in the development of the Bond market.

Increasing FDI in Insurance Sector

It is proposed to amend the Insurance Act, 1938 to increase the permissible FDI limit from 49% to 74% in Insurance Companies and allow foreign ownership and control with safeguards. Under the new structure, the majority of Directors on the Board and key management persons would be resident Indians, with at least 50% of Directors being Independent Directors, and specified percentage of profits being retained as general reserve.

Recapitalization of PSBs

To further consolidate the financial capacity of PSBs, further recapitalization of ₹20,000 crores is proposed in 2021-22.

Deposit Insurance

Last year, Government had approved an increase in the Deposit Insurance cover from ₹1 lakh to ₹5 lakhs for bank customers. To streamline the provisions, so that if a bank is temporarily unable to fulfil its obligations, the depositors of such a bank can get easy and time-bound access to their deposits to the extent of the deposit insurance cover. This would help depositors of banks that are currently under stress.

Company Matters

There will be revision of the definition under the Companies Act, 2013 for Small Companies by increasing their thresholds for Paid up capital from “not exceeding ₹50 Lakh” to “not exceeding ₹2 Crore” and turnover from “not exceeding ₹2 Crore” to “not exceeding ₹20 Crore”.

Disinvestment and Strategic Sale

A number of transactions for strategic disinvestment namely BPCL, Air India,

Shipping Corporation of India, Container Corporation of India, IDBI Bank, BEML, Pawan Hans, Neelachal Ispat Nigam limited among others would be completed in 2021-22. Other than IDBI Bank, govt proposes to take up the privatization of two Public Sector Banks and one General Insurance company in the year 2021-22.

Govt will also bring the IPO of LIC.

To similarly incentivise States to take to disinvestment of their Public Sector Companies, Centre will work out an incentive package of Central Funds for States.

Government Financial Reforms

The Government is committed to the development of Multi-State Cooperatives and will provide all support to them. To further streamline the 'Ease of Doing Business' for Cooperatives, govt proposes to set up a separate Administrative Structure for them.

3. Inclusive Development for Aspirational India

Under this pillar, Agriculture and Allied sectors, farmers' welfare and rural India, migrant workers and labour, and financial inclusion will be covered.

Agriculture

The MSP regime has undergone a sea change to assure price that is at least 1.5 times the cost of production across all commodities.

Govt is enhancing the allocation to the Rural Infrastructure Development Fund from ₹30,000 crores to ₹40,000 crores.

Fisheries

Five major fishing harbours – Kochi, Chennai, Visakhapatnam, Paradip, and Petuaghat – will be developed as hubs of economic activity. Govt will also develop inland fishing harbours and fish-landing centres along the banks of rivers and waterways.

To promote seaweed cultivation, Govt proposes a Multipurpose Seaweed Park to be established in Tamil Nadu.

Migrant Workers and Labourers

One Nation One Ration Card plan is under implementation by 32 states and UTs, reaching about 69 crores beneficiaries – that's a total of

86% beneficiaries covered. The remaining 4 states and UTs will be integrated in the next few months.

To further extend efforts towards the unorganised labour force, migrant workers particularly, govt will launch a portal that will collect relevant information on gig, building, and construction-workers among others. This will help formulate Health, Housing, Skill, Insurance, Credit, and food schemes for migrant workers.

Govt will implement the 4 labour codes. For the first time globally, social security benefits will extend to gig and platform workers. Minimum wages will apply to all categories of workers, and they will all be covered by the Employees State Insurance Corporation.

Financial Inclusion

To further facilitate credit flow under the scheme of Stand Up India for SCs, STs, and women, govt proposes to reduce the margin money requirement from 25% to 15%, and to also include loans for activities allied to agriculture.

4. Reinvigorating Human Capital

The National Education Policy (NEP) announced recently has had good reception.

School Education

More than 15,000 schools will be qualitatively strengthened to include all components of the National Education Policy.

Higher Education

In Budget 2019-20, the FM had mentioned about the setting-up of Higher Education Commission of India. Govt would be introducing Legislation this year to implement the same. It will be an umbrella body having 4 separate vehicles for standard-setting, accreditation, regulation, and funding.

For accessible higher education in Ladakh, govt to set up a Central University in Leh.

Scheduled Castes and Scheduled Tribes Welfare

To establish 750 Eklavya model residential schools in tribal areas. Govt to increase the unit cost of each such school from ₹20 crores to ₹38

crores, and for hilly and difficult areas, to ₹48 crores.

5. Innovation and R&D

In 2019, govt had announced the National Research Foundation. Now the modalities have been worked out and the NRF outlay will be of ₹50,000 crores, over 5 years. It will ensure that the overall research ecosystem of the country is strengthened with focus on identified national-priority thrust areas.

Govt will undertake a new initiative – National Language Translation Mission (NTLM). This will enable the wealth of governance-and-policy related knowledge on the Internet being made available in major Indian languages.

As part of the Gaganyaan mission activities, four Indian astronauts are being trained on Generic Space Flight aspects, in Russia. The first unmanned launch is slated for December 2021.

Govt will launch a Deep Ocean Mission with a budget outlay of more than ₹4,000 crores, over five years. This Mission will cover deep ocean survey exploration and projects for the conservation of deep sea bio-diversity.

6. Minimum Government, Maximum Governance

Govt has introduced the National Commission for Allied Healthcare Professionals Bill in Parliament, with a view to ensure transparent and efficient regulation of the 56 allied healthcare professions. Additionally, to bring about transparency, efficiency and governance reforms in the nursing profession, The National Nursing and Midwifery Commission Bill will be introduced by the government for passing.

Fiscal Position

At the beginning of the current Financial Year, the pandemic's impact on the economy resulted in a weak revenue inflow. This was combined with high expenditure to provide essential relief to vulnerable sections of the society especially the poor, women, SCs and STs. As a result, against an original BE expenditure of ₹30.42 lakh crores for 2020- 2021, RE estimates are ₹34.50 lakh crores.

The capital expenditure, estimated in RE is ₹ 4.39 lakh crores in 2020-2021.

In accordance with the views of the 15th Finance Commission, Centre is allowing a normal ceiling of net borrowing for the states at 4% of GSDP for the year 2021-2022.

Direct Tax Proposals

In 2020, the return filers saw a dramatic increase to 6.48 crore from 3.31 crore in 2014. In the Direct Tax administration, govt has recently introduced the Faceless Assessment and Faceless Appeal. Govt to take further steps to simplify the tax administration, ease compliance, and reduce litigation.

Relief to Senior Citizens

Govt shall reduce compliance burden on our senior citizens who are 75 years of age and above. For senior citizens who only have pension and interest income, the government proposes exemption from filing their income tax returns. The paying bank will deduct the necessary tax on their income.

Reduction in Time for Income Tax Proceedings

To reduce this time-limit for re-opening of assessment to 3 years from the present 6 years. In serious tax evasion cases too, only where there is evidence of concealment of income of ₹50 lakh or more in a year, can the assessment be re-opened up to 10 years.

Setting up the Dispute Resolution Committee

The Government came out with the Direct Tax Vivad Se Vishwas Scheme to give taxpayers an opportunity to settle long pending disputes and be relieved of further strain on their time and resources.

Relaxation to NRI

When Non-Resident Indians return to India, they have issues with respect to their accrued incomes in their foreign retirement accounts. This is usually due to a mismatch in taxation periods. They also face difficulties in getting credit for Indian taxes in foreign jurisdictions. Govt to notify rules for removing their hardship of double taxation.

Attracting foreign investment into infrastructure sector

In the last budget, for attracting foreign investment in the infrastructure sector, Govt had granted 100% tax exemption, subject to certain conditions, to foreign Sovereign Wealth Funds and Pension Funds, on their income from investment in Indian infrastructure. In order to ensure that a large number of Funds invest in India, govt to relax some of these conditions relating to prohibition on private funding, restriction on commercial activities, and direct investment in infrastructure. In order to allow funding of infrastructure by issue of Zero Coupon Bonds, the government

proposes to make notified Infrastructure Debt Funds eligible to raise funds by issuing tax efficient Zero Coupon Bonds.

Labour Welfare

Govt has noticed that some employers deduct the contribution of employees towards Provident funds, superannuation funds, and other social security funds but do not deposit these contributions within the specified time. For the employees, this means a loss of interest or income. In cases where an employer later becomes financially unviable, non-deposit results in a permanent loss for the employees.

Budget at a Glance					
(In ₹ crore)					
		2019-2020 Actuals	2020-2021 Estimates	2020-2021 Revised Estimates	2021-2022 Budget Estimates
1.	Revenue Receipts	1684059	2020926	1555153	1788424
2.	Capital Receipts	1002271	1021304	1895152	1694812
3.	Total Receipts (Revenue Capital Receipts)	2686330	3042230	3450305	3483236
4.	Total Expenditure	2686330	3042230	3450305	3483236
5.	Revenue Deficit	666545	609219	1455989	1140576
6.	Effective Revenue Deficit	480904	402719	1225613	921464)
7.	Fiscal Deficit	933651	796337	1848655	1506812
8.	Primary Deficit	321581	88134	1155755	697111

CURRENT BANKING AWARENESS

RBI's 3rd Bi-Monthly Monetary Policy Statement 2020-21

Shaktikanta Das, Governor of Reserve Bank of India (RBI) announced the 3rd Bi-Monthly Monetary Policy Statement for 2020-21.

Key Points:

- The Monetary Policy Committee (MPC) evaluated domestic and global macroeconomic and financial conditions and thus has kept the repo rate under the Liquidity Adjustment Facility (LAF) unchanged to 4%.
- The reverse repo rate under LAF is also kept unchanged to 3.35%.
- There is also no change in the Marginal Standing Facility (MSF) and Bank Rate which are at 4.25%.
- Another announcement includes that RBI will introduce on-tap Targeted Long Term Repo Operations (TLTRO) for the banks to borrow up to ₹ 1 trillion from the window and invest in corporate bonds or debt instruments.
- The committee has predicted real GDP growth for FY 2021 to contract by 9.5%.

India's GDP to contract by 9.6% in FY21 - World Bank

The World Bank has predicted that India's GDP will contract by 9.6% in the financial year of 2021.

Key Points:

- This prediction is based on the current nationwide lockdown situation and due to the income shock experienced by households and businesses due to the outbreak of Coronavirus.
- Earlier in June 2020, the World Bank predicted that the Indian economy will shrink by 3.2% in FY21.
- As per the World Bank, India's growth is projected to rebound to 5.4% in 2022.

- Also, regional growth for South Asia is expected to rebound to 4.5% in 2021.
- As per predictions by the World Bank, the fiscal deficit to rise above 12% in FY2021, assuming that the combined deficit of the states is within 4.5% to 5% of GDP.

Single SBI branch for all FCRA accounts

The Union Home Ministry has asked all NGOs seeking foreign donations to open a designated FCRA account at the State Bank of India's New Delhi branch by March 31, 2021.

Key Points:

- NGOs registered under FCRA shall not receive any foreign donations in any other bank account from April 1, 2021.
- As of now there are 22,434 such NGOs and associations active under the FCRA.
- In September, the Foreign Contribution (Regulation) Act, 2020 was amended by Parliament and a new provision that makes it mandatory for all non-government organisations and associations to receive foreign funds in a designated bank account at SBI's New Delhi branch was inserted.

India's GDP to contract 10.3% in FY 2020-21 - IMF

The International Monetary Fund (IMF) has released the 'World Economic Outlook' report 2020.

Key Points:

- As per the report, the IMF has projected India's GDP to contract 10.3% in FY 2020-21.
- Earlier, IMF projected India's GDP to contract by 4.5% due to the pandemic of COVID-19.
- Also as per the report, India's GDP to grow at 8.8% in FY 2021-22. Earlier prediction for GDP was 6% for FY 2021-22.
- Also as per IMF, the world economy will contract by 4.4% in FY 2020-21.

'CII Agro and Food Tech: India International Food and Agri Week'

Ministry for Agriculture and Farmers Welfare inaugurated first 'CII Agro and Food Tech: India International Food and Agri Week' during the 14th Agro and Food Tech event.

Key Points:

- The 'CII Agro and Food Tech: India International Food and Agri Week' was observed from 16th Oct to 22nd Oct 2020.
- It was organised by Confederation of Indian Industry (CII) in partnership with the ministry of fisheries, animal husbandry and dairying and ministry of food processing industries.
- The week was observed with an aim to use technology in the food and agriculture sector so as to boost farmers income.
- Along with this observation of the week, the Ministry of food processing also launched 'Anna Devo Bhava', which is an awareness campaign.

BANKING

RBI fixed minimum NOF size to HFCs at ₹ 25 crore

Reserve Bank of India, the new regulatory body for Housing Finance Companies (HFCs) has proposed changes to the prescribed HFCs.

Key Points:

- These changes are made with an aim to increase the efficiency of HFCs and address their issues related to liquidity and double financing.
- In this regard, RBI has revised the regulatory framework for HFCs under which minimum Net Owned Funds (NOF) size for HFCs is fixed to ₹ 25 crore.
- As per this, HFC having CoR (Certificate of Registration) and having NOF less than ₹ 25 crore will be required to achieve NOF of ₹ 15 crore by 31st March 2022 and ₹ 25 crore by 31st March 2023.
- Also, it would be mandatory upon such HFCs whose NOF is currently below

₹ 20 crore to submit a statutory auditor's certificate to RBI within a month evidencing compliance with the prescribed levels.

- HFCs not fulfilling the prescribed level within the stipulated amount of time will not be eligible to hold CoR.

RBI's Monetary Policy Committee Meet

The Reserve Bank of India's MPC meeting was held. It was headed by RBI Governor, Shaktikanta Das.

Key Points:

- RBI has decided to keep interest rates unchanged for the third time in a row and has maintained the policy stance at 'accommodative'.
- As per the decisions from MPC Committee members, the repo rate or the rate at which RBI lends to the banks is unchanged to 4%.
- The reverse repo rate under the LAF is also unchanged at 3.35%.
- The Marginal Standing Facility (MSF) rate and Bank Rate is also kept unchanged at 4.25%.
- These decisions to maintain the status quo on policy rates are taken because of inflation.
- Also, the Governor stated that GDP growth for the fiscal year 2021 is at -7.5%.

World Bank-IMF Annual Meet 2020

The annual meeting of the World Bank and International Monetary Fund (IMF) was held virtually.

Key Points:

- The meeting was addressed by the Union Minister of Health and Family Welfare, Dr. Harsh Vardhan.
- The meeting was held under two themes: (a) 'Unleashing the South Asian Century through Human Capital for All' (b) 'Investing in COVID-19 Vaccines and Primary Health Care Delivery System'.
- Dr. Harsh Vardhan mentioned that India followed the 'Whole of Society, Whole

of Government' approach to tackle the pandemic situation in the country.

- Also, he appreciated the support from private firms of India in providing PPE kits, N95 masks, oxygen supply, ventilators with an aim to ensure self-sufficiency.
- He highlighted that medical infrastructure in India from March has risen from having one lab in March 2020 to 2000 labs till now.
- He focused that India's current agenda is to provide affordable COVID-19 vaccine and to ensure its equal distribution through electronic Vaccine Intelligent Network (e-Vin).
- For this purpose, the National Expert Group on Vaccine Administration under the leadership of PM Narendra Modi is set up. This expert group will ensure equal distribution of vaccines in rural and remote areas.

19th Meet of SCO Ministers of Foreign Economy and Foreign Trade

The 19th meeting of the Shanghai Cooperation Organisation (SCO) Ministers of Foreign Economy and Foreign Trade was held virtually.

Key Points:

- The meeting was chaired by Union Minister for Commerce and Industries, Piyush Goyal.
- Union Minister Piyush Goyal addressed the meeting that countries must work collaboratively to strengthen their economic strengths in order to increase trade and investment so as to achieve speedy recovery from pandemic.
- Also, the cooperation will help to achieve global economic growth as SCO nations contribute to 1/7th global trade in goods and 1/8th global trade in commercial services.
- Four major documents were adopted in the meet: (1) Statement on the response on COVID-19 (2) Statement on Multilateral Trading System (3) Statement

on SCO Cooperation on Intellectual Property Rights (4) Action Plan for the implementation of MoU for increasing cooperation in MSMEs.

- **First-ever SCO Startup Forum:** It was launched by Union Minister Piyush Goyal ahead of this meet. The forum will perform the role of the foundation for multilateral cooperation and will allow engagement of SCO nations to develop startup ecosystems.

Fifteenth Finance Commission

The Fifteenth Finance Commission led by Chairman N K Singh, submitted its Report to the President of India.

Key Points:

- The Report will be available in the public domain once it is tabled in the Parliament by the Union Government.
- The Finance Commission was required to submit two reports. The first report, consisting of recommendations for the financial year 2020-21, was tabled in Parliament.
- The Commission was asked to give its recommendations on many unique and wide-ranging issues in its terms of reference.
- Apart from the vertical and horizontal tax devolution, local government grants, disaster management grant, the Commission was also asked to examine and recommend performance incentives for States in many areas like power sector, adoption of DBT, solid waste management etc.
- The Commission was also asked to examine whether a separate mechanism for funding of defence and internal security ought to be set up and if so how such a mechanism could be operationalised.

REPORTS & INDICES

'Poverty and Shared Prosperity 2020: Reversal of Fortune'

World Bank Group has released a Biennial report titled 'Poverty and Shared Prosperity 2020: Reversal of Fortune.

Key Points:

- As per the report, around 150 million people will be pushed into extreme poverty by the end of 2021 because of COVID-19 pandemic.
- Around 88 million to 115 million will be pushed to extreme poverty due to this COVID-19 pandemic in 2020.
- This report states that this time it is the first to rise in extreme poverty percentage in the past 20 years.
- The aspects which lead to an increase in global poverty are: COVID-19, Armed Conflicts and Climate Change.
- Around 82% of people from middle-income countries will be dragged into extreme poverty.

3rd Edition of CRI Index 2020

The Commitment to Reducing Inequality (CRI) Index 2020 is released by Oxfam International and Development Finance International.

Key Points:

- India has been ranked at 129th position among 158 countries. The CRI ranking index is topped by Norway. The second and third position is marked by Denmark and Germany respectively. South Sudan has the lowest ranking at 158th position in CRI Index 2020.
- The third edition of the CRI index focuses on fighting inequality during the time of COVID-19 pandemic. The index measures what governments are doing to reduce the gap between rich and poor.
- The report analyses measures adopted by the nation and its government's policies or actions in major three areas which are related to tackle and reduce inequality.

The three major areas of analysis are: Social Spending, Progressive Taxation Policies and Labour Rights.

Global Hunger Index 2020

The Global Hunger Index of 2020 has been released.

Key Points:

- India has marked the rank position of 94th among 107 countries in this index.
- As per the report, India comes under 'serious category' with a score of 27.2.
- A score of India in each assessment category: For child stunting, rate is 37.4%. Wasting rate is 17.3%, undernourishment rate is 14% and under 5 mortality rate is 3.7%.
- Other neighbouring countries of India which are under serious category are Bangladesh (75th), Myanmar (78th) and Pakistan (88th).
- Nepal (73rd) and Sri Lanka (64th) are in the moderate category in Global Hunger index 2020.

44th OECD International Migration Outlook 2020 Report

The report on the 44th edition of OECD International Migration Outlook 2020 has been released.

Key Points:

- As per this report, India has marked the 2nd rank position in terms of migrants going to OECD countries and acquiring citizenship of those countries.
- China has marked the first rank in this ranking.
- The third position is marked by Romania.
- From India, 3.3 lakh migrants moved to OECD which is an increase of 10% compared to last edition report analysis.

State of Global Air 2020

State of Global Air 2020 was released by the Health Effects Institute (HEI).

Key Points:

- The Report highlights that air pollution is the largest risk factor for death among all health risks.
- India, Bangladesh, Pakistan and Nepal are among the top ten countries with the highest PM2.5 (particulate matter) exposures in 2019.

- All these countries also experienced increases in outdoor PM2.5 levels between 2010 and 2019.
- India is also among the top ten countries with highest Ozone (O₃) exposure in 2019.
- Among the 20 most populous countries, India recorded the highest increase (17%) in O₃ concentrations in the past ten years.

5th Public Affairs Index 2020

Recently, the Public Affairs Centre has released the Public Affairs Index (PAI)-2020.

Key Points:

- It is a unique statistical tool to evaluate the performance of governance in the States.
- Kerala was adjudged the best-governed state in the country while Uttar Pradesh ended at the bottom in the large states category.
- The four southern states, namely, Kerala, Tamil Nadu, Andhra Pradesh, and Karnataka stood in the first four ranks in the large state category in terms of governance.
- Uttar Pradesh, Odisha and Bihar were at the bottom of the ranking, scoring negative points in the category i.e. -1.461, -1.201 and -1.158 points respectively.

In the small state category, Goa ranked first, followed by Meghalaya and Himachal Pradesh.

LIC - 3rd Strongest & 10th Most Valuable Insurance Brand Globally

The Life Insurance Corporation (LIC) has emerged as the 3rd strongest and the 10th most valuable insurance brand globally.

Key Points:

- This was announced by the Brand Finance Insurance 100 report for 2021.
- The report was released by Brand Finance, which is the London-based brand valuation consultancy firm.
- As per the report, the most Valuable Global Insurance Brand with 1st rank is Ping An Insurance, China.
- And the Strongest Global Insurance Brand with 1st rank is Poste Italiane, Italy.
- As per the report, LIC's brand value raised by almost 7% i.e. to \$8.65 billion in 2021.

Increased Foreign Direct Investment (FDI)

There has been an increase in Foreign Direct Investment (FDI) inflows into India recently. Measures taken by the Government regarding FDI policy reforms, investment facilitation and ease of doing business have contributed to the increase.

Key Points:

- The trends in India's FDI are:
- Highest ever total FDI inflow of US \$81.72 billion during the year 2020-21.
- It is 10% higher as compared to last year (US\$ 74.39 billion).
- Top investor countries: Singapore (29%), U.S.A (23%) and Mauritius (9%)
- Maximum FDI received sector-wise: Computer Software & Hardware (44%), Construction (Infrastructure) Activities (13%) and Services Sector (8%)
- Maximum FDI received state-wise: Gujarat (37%), Maharashtra (27%) and Karnataka (13%).

WB approved \$500mn Program to Enhance MSME Sector of India

The World Bank (WB) approved the \$500 million program to uplift the MSME sector of India.

Key Points:

- The \$500 million programs will help GOI to raise liquidity access support to the MSMEs, small businesses which are impacted severely by COVID-19.
- The funds will be utilised to revitalize the MSME sector as it has set the target to improve the performance of 555,000 MSMEs.
- The program is expected to mobilize financing of \$15.5 billion, as part of the government's \$3.4 billion MSME Competitiveness, 'A Post-COVID Resilience and Recovery Programme (MCRRP)'.
- The \$500 million support is the part of the Raising and Accelerating Micro, Small and Medium Enterprise (MSME) Performance (RAMP) Program, which is the second support from World Bank for India's MSME sector upliftment

BANKING SCHEMES & POLICIES

Production-Linked Incentive Scheme

The Union Cabinet has approved the Continuation and Revamping of the Scheme for Financial Support to Public-Private Partnership in Infrastructure Viability Gap Funding Scheme till 2024-25 with an outlay of Rs 8,100 crore.

Key Points:

- This will help to promote and strengthen PPP (Public-Private Partnership) in the social and economic infrastructure domain.
- This financial support will allow proper operation and maintenance, efficient creation of assets and will make the socially essential projects commercially viable.
- This grant amount will help to develop water supply, wastewater treatment, Health and Education sectors.
- Also, the committee said that the centre will provide 30% of the total project cost while the state governments and sponsoring ministry will have to provide additional support of up to 30% of the total project cost.

Operation Greens - Top to Total Scheme

Under Operation Greens (TOP to TOTAL) Scheme, 50% transportation subsidy is now made available for air transportation for 41 notified fruits and vegetables from North-Eastern and Himalayan States to any place in India.

Key Points:

- Airlines will provide the transport subsidy directly to the supplier by way of charging only 50% of the actual contracted freight charges and will claim the balance 50% from MoFPI as subsidy.
- The scheme was approved and the amended Scheme Guidelines were notified in November 2020.

- All consignment of notified fruits and vegetables irrespective of quantity and price would be eligible for 50% freight subsidy.
- The transportation subsidy was earlier extended under Operation Greens Scheme for Kisan Rail Scheme in December.
- Railways charge only 50% of freight charges on the notified fruits and vegetables.

Saral Jeevan Bima

The guidelines for 'Saral Jeevan Bima' have been released by IRDAI (Insurance Regulatory and Development Authority of India).

Key Points:

- IRDAI has made mandatory the offering of this insurance policy by all life insurance companies from 1st Jan 2021.
- The 'Saral Jeevan Bima' will be non-linked non-participating individual pure risk premium life insurance plan and has no maturity benefit.
- The insurance plan offers optional accident benefit and permanent disability riders. The sum assured will be paid to the nominee in case of death of the holder of the policy.
- The minimum amount for 'Saral Jeevan Bima' is Rs 5 lakh and maximum amount is up to Rs 25 lakhs. Policy term is from 5 to 40 years.
- The policy offers three premium payment options: Regular Premium, Limited premium payment term for 5 years, 10 years and Single Premium.

DAY-NRLM Special Package for J&K and Ladakh

The Union Cabinet approved a special package worth Rs. 520 crore in the Union Territories

(UTs) of J&K and Ladakh for a period of five years under the Deendayal Antyodaya Yojana-National Rural Livelihood Mission (DAY-NRLM).

Key Points:

- The Centre aims to universalise all centrally sponsored beneficiary-oriented schemes in J&K and Ladakh in a time-bound manner.
- The package has been approved for a period of five years till 2023-24.
- It has been decided to ensure funding on a demand-driven basis without linking allocation with poverty ratio during the extended period.
- Around two-third rural women from the UTs will be covered and 10.58 lakh women will get the benefit from the special package.
- DAY-NRLM is a centrally sponsored programme of the Ministry of Rural Development to eliminate rural poverty through the promotion of multiple livelihoods and improved access to financial services for the rural poor households across the country.

'My Town My Pride' Programme

Lieutenant Governor of Jammu and Kashmir announced a programme called 'My Town My Pride'.

Key Points:

- The programme is basically an urban connect programme which aims to provide governance facilities at the doorsteps in urban areas of J & K.
- Objectives of 'My Town My Pride' Programme: (a) To strengthen grassroots democracy (b) Public outreach in towns (c) To offer service delivery at doorsteps.
- 'My Town My Pride' Programme will look after on-the-spot addressing of grievances redressals, offer immediate service delivery to people and offer ground speedy execution of people centric schemes and projects.
- The programme also aims to offer time-bound delivery of documents like caste certificates, revenue and income certificate,

old-age and physically handicapped pension registration, ration card updation, Aadhaar card enrolments, etc. at doorsteps.

- It will ensure immediate delivery of benefits like government schemes like pensions, scholarships, PMAY, health golden cards, Ladli Beti, etc.

Safaimitra Suraksha Challenge

The Ministry of Housing and Urban Affairs launched Safaimitra Suraksha Challenge across 243 Cities to ensure that no life of any sewer or septic tank cleaner is ever lost again owing to the issue of 'hazardous cleaning'.

Key Points:

- The Challenge was launched on the occasion of World Toilet Day.
- Aim: Preventing 'hazardous cleaning' of sewers and septic tanks and promoting their mechanized cleaning.
- Representatives from 243 cities across the country took a pledge to mechanize all sewer and septic tank cleaning operations by 30th April 2021.
- The initiative is in line with the core of the Swachh Bharat Mission-Urban (SBM-U)
- The actual on-ground assessment of participating cities will be conducted in May 2021 by an independent agency and results of the same will be declared on 15 August 2021.

'Mukhya Mantri Saur Swarojgar Yojana' - Uttarakhand

The Government of Uttarakhand launched 'Mukhya Mantri Saur Swarojgar Yojana'.

Key Points:

- The yojana is launched with an aim to boost self-employment capability in youth and promote the production of Green Energy.
- The scheme is specially launched for the youths and migrants who have returned to the state and have lost their jobs due to pandemic COVID-19.

- The scheme will offer employment opportunities in the Green Energy Sector to around 10,000 youths and migrants.
- The beneficiaries will be allotted with solar plants of 25KW each.
- To set up these plants, 1.5-2 nails of land and Rs 10 lakhs at Rs 40,000 per unit is required.

‘Svanirbhar Nari: Atma Nirbhar Assam Scheme’

The Assam Government launched a new scheme named as Swanirbhar Nari: Atma Nirbhar Assam’.

Key Points:

- The scheme aims to empower women who are economically backward in Assam.
- The scheme is said to be beneficial to around 4 lakh families.
- Around 3.72 lakh Sustainable Individual Assets and 822 Community Assets will be created for this scheme.
- 5 activities will be implemented in case of Individual Asset creation and 20 activities will be implemented in case of Community Assets creation.
- The scheme will be implemented in-line with other schemes and missions of Assam like Assam State Rural Livelihood Mission, Agriculture and Horticulture, Fishery, Animal Husbandry, Handloom, textiles, and Forest.

SVAMITVA Scheme

Prime Minister Narendra Modi launched physical distribution of property card programme under SVAMITVA Scheme.

Key Points:

- SVAMITVA Scheme stands for Survey of Villages and Mapping with Improved Technology in Village Areas (SVAMITVA).
- The scheme was launched in April 2020 with an aim to grant a record of rights to document the residential properties to the

owners of village households and to issue them property cards.

- Now after the distribution of property cards, the owners will have the proof of owning their houses.
- With the help of this card, the beneficiaries can also opt for loans as loans are easily available from the bank on the basis of the record of the property. Also the property card will also provide a way to buy and sell the property without any dispute for the villagers.

Har Ghar Nal Yojana

The ‘Har Ghar Nal Yojana’ (tap water to every household) is launched by PM Narendra Modi.

Key Points:

- It is basically a rural drinking water supply project and was launched in Mirzapur and Sonbhadra districts of Uttar Pradesh.
- The project aims to provide tap water connections to around 2,995 villages which will benefit 42 lakh people.
- The estimated cost for ‘Har Ghar Nal Yojana’ Rs 5,555.38 crore.
- Out of this total amount of Rs 3212.18 crore will be utilized in Sonbhadra and Rs 2343.20 crore will be utilized in Mirzapur.
- The scheme will be completed in the next two years.

PM Jeevan Jyoti Bima Yojana

The PM Jeevan Jyoti Bima Yojana (PMJJBY) is launched by India Post Payments Bank (IPPB) in partnership with PNB MetLife India Insurance Company Limited.

Key Points:

- The PMJJBY offers protection and financial security to the underprivileged and poor who are living in unbanked and remote areas of the country.
- This low-cost insurance scheme will offer a life cover to the family in case of the death of the insured member due to any reason.
- The insurance scheme is for anyone who is having a savings account in IPPB.

- The scheme offers maximum coverage of Rs 2 lakhs.
- The annual premium amount for this scheme is Rs 330.

'YSR Bima' Scheme

Andhra Pradesh government launched 'YSR Bima' scheme under which 1.41 crore Below Poverty Line (BPL) will be provided insurance cover for death and permanent disability.

Key Points:

- The insurance cover amount will be directly credited into the bank account of the beneficiary within 15 days of making the claim.
- Immediate assistance of Rs 10,000 will be provided to the families of victims through village and ward secretaries.
- The accidental death and total permanent disability for people between age group 18-50 years is Rs 5 lakh.
- The accidental death and total permanent disability for people between age group 51-70 years is Rs 3 lakh.
- Natural death cases of the people between age 18-50 years is Rs 2 lakh.
- For partial permanent disability in an accident case of people between age 18-70 years is Rs 1.5 lakhs.

PM Modi Launched Three Projects in Gujarat

Prime Minister Narendra Modi launched 'Kisan Suryoday Yojana', 'Girnar Ropeway' and 'Paediatric Heart Hospital in UN Mehta Heart Research Institute' in Gujarat state.

Key Points:

- The 'Kisan Suryoday Yojana' has been launched to provide day time power supply for irrigation facilities in Gujarat.
- The state farmers will be provided with a power supply between 5 am to 9 pm.
- The funds allotted for 'Kisan Suryoday Yojana' is Rs 3500 crores, which will be used

to install transmissions lines in which each transmission line will carry 66KW of power.

- Also, 22kv substations will also be installed with the help of these funds.
- PM Modi also inaugurated a ropeway located in Mount Girnar in Junagadh district of Gujarat. This ropeway is considered as the longest ropeway in Asia.
- Total cost of this ropeway is Rs 130 crore and is 2320 meters long, with the capacity of carrying 1000 passengers in one hour.
- PM Modi also inaugurated the Paediatric Heart Hospital at UN Mehta Institute of Cardiology and Research Centre at Civil Hospital campus of Ahmedabad and Mobile Application for telecardiology. The funds utilised for this is Rs 470 crore.

PM SVANidhi

The Pradhan Mantri Street Vendors Atmanirbhar Nidhi (PM SVANidhi) scheme was launched by the Ministry of Housing and Urban Affairs.

Key Points:

- Through the PM SVANidhi scheme, the central government would extend Rs 10,000 loan as working capital to street vendors.
- This amount will help the street vendors to restart their businesses which have been hit by the Covid-19 pandemic.
- The Small Industries Development Bank of India (SIDBI) is the scheme's implementation agency.
- This scheme will help in mainstreaming and legitimising genuine street vendors who have not got valid identity cards.
- The scheme brings in financial mainstreaming of street vendors through loans and digital payments.

'Parivarthanam Scheme' - Kerala

The Kerala government has launched 'Parivarthanam Scheme', which is a pioneering co-sustainable programme.

Key Points:

- The scheme is launched for the betterment of the Fishing Community.

- The management and implementation of the scheme will be headed by Kerala State Coastal Area Development Corporation (KSCADC).
- The 'Parivarthanam Scheme' is launched to improve the livelihood skills of youngsters living along the coastline along with upliftment of the fishing community.
- The scheme will offer a fixed price to fish-catchers as fair compensation.
- The scheme also offers employment job opportunities to college dropouts and migrant workforce who returned to their home town due to COVID-19.

PM WANI Scheme

In a bid to fuel broadband internet proliferation across the country, the Government of India launched PM WANI (Prime Minister Wi-Fi Access Network Interface) Scheme.

Key Points:

- The scheme aims to bring large scale deployment of Wi-Fi hotspots through the country to drive up connectivity options and improve digital access.
- The scheme envisages setting up of public Wi-Fi networks and access points by local Kirana and neighbourhood shops through public data offices (PDO will be set up on the lines of Public Call Offices (PCOs)) that will not involve any licence, fee or registration.
- Apart from, Public Wi-Fi being a low-cost option to reach unserved citizens and grow the economy, it can revolutionise the tech world and significantly improve Wi-Fi availability across the length and breadth of India.
- This is being seen as an attempt by the government to elevate wireless internet connectivity in the country.

Conferences & Summits

3rd Annual Bloomberg New Economy Forum
Prime Minister Narendra Modi addressed the 3rd Annual Bloomberg New Economy Forum via video conference.

Key Points:

- The forum was held to discuss ways to restore the economy which has been affected due to pandemic COVID-19.
- The inaugural part of the forum was held in Singapore, followed by a second edition in Beijing.
- The dignitaries discussed global economic management, trade and investment, technology, urbanisation, capital markets, climate change and inclusion.
- Other speakers who addressed the forum were: Director-general of the World Health Organisation (WHO) Tedros Adhanom Ghebreyesus, former UK Prime Minister Tony Blair, former US President Bill Clinton, Microsoft founder Bill Gates, and Secretary-General of the United Nations Antonio Guterres.

15th G20 Summit

The 15th edition of the G20 Summit was held through video conference.

Key Points:

- The summit was held under the chairmanship of Saudi Arabia. King Salman bin Abdulaziz Al Saud chaired the summit.
- The Indian side was addressed by PM Narendra Modi.
- The summit held the focus on developing an inclusive, sustainable and resilient future by safeguarding the planet.
- PM Narendra Modi addressed by highlighting the need for economic recovery in the Post COVID-19 era. He mentioned the importance and adoption of effective global governance.
- He also highlighted the importance of the 2030 Agenda for Sustainable Development Goals.
- He mentioned India's agenda to follow 'Reform-Perform-Transform' strategy.

PAST YEAR BANKING AWARENESS

SOLVED QUESTIONS 2020-21

(FOR SBI & IBPS BANK CLERK/PO/RRB/RBI/LIC EXAMS)

Banking System in India & World

- RBI nationalised on?
[IBPS Clerk Main 2021]
(a) 1st January 1948
(b) 1st January 1950
(c) 4th Feb 1950
(d) 1st January 1949
(e) None of these
- India's first small finance bank has been opened in which city?
[IBPS RRB Asst. Main 2020]
(a) Jalandhar (b) Ahmadabad
(c) Bengluru (d) Kolkata
(e) New Delhi
- The Serum Institute of India (SII) has signed an agreement with UNICEF & GAVI to supply Pneumococcal Conjugate Vaccine (PCV) to low-income countries. Where is SII located?
[SBI Clerk Main 2020]
(a) Mumbai (b) New Delhi
(c) Pune (d) Kolkata
(e) None of these

Banking Structure & Instrument

- What is the India's GDP growth rate for 2021-22 as estimated by the Reserve Bank of India (RBI) in its recent monetary policy?
[IBPS Clerk Main 2021]
(a) 8.7% (b) 9.2% (c) 10.5% (d) 10.2%
(e) 7.9%
- F stands for in IFSC?
[IBPS RRB Asst. Main 2020]
(a) Fiscal (b) Forex
(c) Foreign (d) Financial
(e) None of the Above
- Priority Sector includes which of the following categories? [IBPS RRB Scale-I Main 2020]
(a) Agriculture
(b) Micro, Small and Medium Enterprises (MSME)

- (c) Export Credit
(d) Education
(e) All of the above
- What is Nominal Capital?
[RBI Asst. Main 2020]
(a) The amount available to shareholders
(b) The amount available to market
(c) The amount available to customers
(d) The amount available to banks
(e) None of these
- IPPB is registered as payment bank under _____ schedule of RBI Act, 1934
[RBI Asst. Main 2020]
(a) First (b) Second
(c) third (d) fourth
(e) None of these

Banking Functions

- RBI said all entities will upload KYC to account opened by extending the applicability of the CKYCR with respect to _____?
[SBI PO Main 2020]
(a) April 30, 2022 (b) April 1, 2021
(c) May 31, 2023 (d) April 1, 2022
- The mutual fund is regulated by?
[IBPS Clerk Main 2021]
(a) IRDA (b) RBI
(c) SEBI (d) AMFI
(e) None of these
- Global Trust Bank (GTB) merged with which bank? [IBPS RRB Asst. Main 2020]
(a) Oriental Bank of Commerce
(b) Indian Overseas Bank
(c) Dena Bank
(d) Bank of Baroda
(e) SBI
- Allahabad Bank has been merged with which of the following Banks?
[IBPS RRB Scale-I Main 2020]
(a) Punjab National Bank
(b) State Bank of India

- (c) Union Bank of India
(d) Indian Bank
(e) None of these
5. SEBI enhanced the penalty against 3 rating agencies which ICRA, CARE and India Ratings and Research to ₹1 crore each for their lapses in giving credit rating to non-convertible debentures of which company? **[RBI Asst. Main 2020]**
(a) Tesco (b) Honda
(c) Wal-Mart (d) IL&FS
(e) None of these
6. As per the "Framework for authorisation of pan-India Umbrella Entity for Retail Payments" released by RBI what should be the minimum paid-up capital of the umbrella entity? **[SBI Clerk Main 2020]**
(a) Rs. 100 crore (b) Rs. 300 crore
(c) Rs. 500 crore (d) Rs. 1000 crore
(e) None of these

Banking Products

1. The first urban co-operative bank in India to transition to a SFB (small finance bank) under the voluntary transition scheme is— **[IBPS PO Main 2020]**
(a) Abhyudaya Co-op. Bank Ltd.
(b) Shivalik mercantile.
(c) Capital Small Finance Bank Ltd
(d) Bombay Mercantile Co-op. Bank
(e) New India Co-op. Bank Ltd.
2. Which Bank launched Home Utsav? **[SBI PO Main 2020]**
(a) HDFC Bank (b) ICICI Bank
(c) IDFC Bank (d) AXIS Bank
3. Which of the following bank has introduced a kisan credit card loan scheme for fishermen in Tamil Nadu? **[IBPS Clerk Main 2021]**
(a) ICICI Bank (b) SBI
(c) Axis Bank (d) Canara Bank
(e) Indian Bank
4. In Jan 2021, which of the following has launched a new feature "safe pay" to make digital payments more secure and reduced online payment frauds? **[IBPS Clerk Main 2021]**
(a) Google Pay
(b) Phone Pay
(c) Airtel Payments Bank
(d) India Post Payment Bank
(e) Paytm Payment Bank
5. What is the revised overdraft limit under Pradhan Mantri Jan Dhan Yojana? **[IBPS RRB Asst. Main 2020]**
(a) Rs 5,000 (b) Rs 20,000
(c) Rs 10,000 (d) Rs 2,000
(e) Rs 1,000
6. If two parallel lines are drawn on the front part of a cheque, it is called _____. **[IBPS RRB Asst. Main 2020]**
(a) Crossed Cheque
(b) Open Cheque
(c) Slate Cheque
(d) Traveller Cheque
(e) Self cheque
7. What is the full form of MSP? **[IBPS RRB Asst. Main 2020]**
(a) Minimum support prices
(b) Maximum support prices
(c) Market support prices
(d) Minimum supporting prices
(e) None of these
8. What is the limit of Mudra Scheme Tarun? **[IBPSC RRB Scale-I Main 2020]**
(a) up to ₹ 50, thousand
(b) up to ₹ 1 Lakh
(c) up to ₹ 5 Lakh
(d) up to ₹ 10 lakhs
(e) None of these
9. The value of Special Drawing Right (SDR) is determined by the basket of currencies. **[IBPSC RRB Scale-I Main 2020]**
(a) 4 (b) 8 (c) 6 (d) 7
(e) 5

Money & Finance in Banking

1. In budget 2021, Finance minister Nirmala Sitharmam how much amount proposed for Recapitalisation of Public Sector Bank (In crores)? **[IBPS Clerk Main 2021]**
(a) 15,000 (b) 25,000
(c) 20,000 (d) 35,000
(e) 50,000

2. Which company does not come under Hinduja group?
[IBPS RRB Asst. Main 2020]
- (a) Ashok Leyland
(b) IndusInd Bank
(c) NxtDigital Ltd
(d) Cyqurex Systems Private Limited
(e) HSBC
3. What is the maximum deposit allowed in India Post Payment Bank (IPPB)?
[IBPS RRB Asst. Main 2020]
- (a) Rs. 10,000 (b) Rs. 50,000
(c) Rs. 1 lakh (d) Rs. 5 lakh
(e) No limit
4. A type of Home loan for older homeowners that requires no monthly mortgage payments is known as—
[IBPS RRB Asst. Main 2020]
- (a) Jumbo Mortgage
(b) Interest Mortgage
(c) Adjustable Rate Mortgage
(d) Conventional Mortgage
(e) Reverse Mortgage
5. On——, The Reserve Bank of India (RBI) has released a notification revising norms of Changing in the regulatory framework for Housing Finance Companies (HFCs)
[RBI Asst. Main 2020]
- (a) October 20, 2020
(b) October 22, 2020
(c) October 21, 2020
(d) October 23, 2020
(e) October 24, 2020
6. Which Payments bank has partnered NSDC to train rural youth?
[SBI Clerk Main 2020]
- (a) Airtel Payments Bank
(b) Paytm Payments Bank
(c) India Post Payments Bank
(d) Jio Payments Bank
(e) None of these
7. Total expenditure in budget 2020-21 is expected to be— [SBI Clerk Main 2020]
- (a) Rs. 50,42,230 crore
(b) Rs. 30,42,000 crore
(c) Rs. 40,42,230 crore
(d) Rs. 30,42,230 crore
(e) None of these

Latest Current Affairs & Banking MCQs

1. Who has been appointed as the Chairman of the Telecom Regulatory Authority of India (TRAI)? [SBI Clerk Main 2020]
- (a) Shashi S. Vempati
(b) Sanjay Kumar Mishra
(c) PD Vaghela
(d) Ajay Kumar Bhalla
(e) None of these
2. Who has authored the book titled '10 Rules of Successful Nations'?
[SBI Clerk Main 2020]
- (a) Amit Shah (b) Ranjan Gogoi
(c) Ruchir Sharma (d) Roopa Pai
(e) None of these
3. Harley-Davidson to shut down its manufacturing plant in India_____.
[SBI Clerk Main 2020]
- (a) Gurugram (b) NOIDA
(c) Pune (d) Hyderabad
(e) None of these
4. What is the stake of State Bank of India in the Jio Payments Bank?
[SBI Clerk Main 2020]
- (a) 10 per cent (b) 25 per cent
(c) 30 per cent (d) 49 per cent
(e) None of these
5. On 8th October Indian Air Force celebrated its _____ anniversary?
[SBI Clerk Main 2020]
- (a) 88th (b) 70th
(c) 77th (d) 73rd
(e) None of these
6. The Central Board of Secondary Education (CBSE) has partnered with which social media platform to launch a free and comprehensive training program for teachers and students of its affiliated schools in the first phase?
[SBI Clerk Main 2020]
- (a) Google (b) Facebook
(c) Microsoft (d) Twitter
(e) None of these
7. The PM KUSUM scheme has been extended to allow how much farmers to set up standalone solar pumps?
[SBI Clerk Main 2020]
- (a) 10 lakh (b) 20 lakh
(c) 30 lakh (d) 40 lakh
(e) None of these

HINTS & EXPLANATIONS

Banking System in India & World

- (d)
- (a) 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.
- (c) Serum Institute of India Pvt. Lt (d) is now the world's largest vaccine manufacturer by number of doses produced and sold globally (more than 1.5 billion doses) which includes Polio vaccine as well as Diphtheria, Tetanus, Pertussis, Hib, BCG, r-Hepatitis B, Measles, Mumps and Rubella vaccines. It is estimated that about 65% of the children in the world receive at least one vaccine manufactured by Serum Institute Vaccines manufactured by the Serum Institute are accredited by the World Health Organization, Geneva and are being used in around 170 countries across the globe in their national immunization programs, saving millions of lives throughout the world.

Banking Structure & Instrument

- (c) 2. (d)
- (c) Priority Sector includes the categories such as Agriculture, Micro, Small and Medium Enterprises (MSME), Export Credit, Education, Housing, Social Infrastructure and Renewable Energy.
- (a) Nominal capital simply refers to the amount of capital—in shares—a company is legally authorized to make available to shareholders. Within the U.S., the nominal capital is generally provided within the company's legal documentation.
- (b) India Post Payments Bank (IPPB) has been included in the Second Schedule to

the Reserve Bank of India Act, 1934. India Post Payments Bank (IPPB) is a public sector payments bank from India operated by the India Post. Opened in 2018, the bank had acquired about 4.0 crore customers by December 2020. On 19 August 2015, the India Post received licence to run a payments bank from the Reserve Bank of India.

Banking Functions

- (b) 2. (c) 3. (a)
- (d) Allahabad Bank, one of the oldest public sector banks in the country, was merged with the Indian Bank on 15th February 2021. After Allahabad Bank's merger with the Indian Bank, new rules have come into force from 16th February.
- (d) The Securities and Exchange Board of India (Sebi) has enhanced the penalty against three rating agencies- ICRA, CARE and India Ratings and Research to ₹ 1 crore each for their lapses in giving credit rating to non-convertible debentures of IL&FS. It is a "systemically important" Non-Deposit Accepting Core Investment Company registered with RBI.
- (c) The Reserve Bank of India (RBI) came up with a framework for pan-India Umbrella Entity for Retail Payments, wherein the central bank has said that an entity must have a minimum paid-up capital of Rs 500 crore for setting up an umbrella entity for retail payment.

Banking Products

- (b) 2. (b) 3. (c) 4. (c)
- (c) To make the Pradhan Mantri Jan Dhan Yojana (PMJDY) scheme more attractive, the finance ministry decided to double the overdraft facility from Rs 5,000 to Rs 10,000.

- The PMJDY was launched by Prime Minister Narendra Modi on 15 August 2014 as a national mission for financial inclusion to ensure access of financial services like bank accounts, insurance and pensions to the masses.
6. (a) If two parallel lines are drawn on the front part of a cheque, it is called a 'Crossed' Cheque. In this type of a cheque, the payee cannot withdraw money in cash but money can transfer in payee account. This type of cheque is endorsable.
 7. (a) The full form of MSP is given in the first line of the passage and it is minimum support prices. Hence, option A is correct.
 8. (d) The loan limit on the Mudra Loan is ₹ 10 Lakh which is set according to three schemes. The schemes are Shishu- for loans up to ₹ 50,000, Kishore- for loans exceeding ₹ 50,000 to up to ₹ 5 Lakh, and Tarun- for loans amounting to ₹ 5 Lakh to 10 lakhs.
 9. (c) The value of Special Drawing Right (SDR) is determined by the basket of 5 currencies. The currencies are, US Dollar, Japanese Yen, British Pound, Chinese Yuan and Euro.

Money & Finance in Banking

1. (c)
2. (e) Ashok Leyland, IndusInd Bank, NxtDigital Ltd and Cyqurex Systems Private Limited are the part of Hinduja Groups.
3. (c) The maximum deposit allowed in India Post Payment Bank (IPPB) is Rs. 1 lakh.

According to the guidelines, payments banks can open small savings accounts and accept deposits of up to Rs.1 lakh per individual customer and provide remittance services.

- 4.. (e)
5. (b) On October 22, 2020, the Reserve Bank of India (RBI) has released a notification revising norms of Changing in the regulatory framework for Housing Finance Companies (HFCs). The Reserve Bank of India has prescribed that housing finance companies should have atleast 60% of total assets towards housing finance by 31 March 2024.
6. (a) Airtel Payments Bank Ltd has collaborated with National Skill Development Corporation (NSDC) to train and skill young people in rural areas on financial services, enabling them to find jobs and become entrepreneurs in the sector, the payments bank said in a statement. Currently only six payments banks are operational in India, including Paytm Payments Bank, Airtel Payments Bank, India Post Payments Bank, Fino Payments Bank, Jio Payments Bank and NSDL Payments Bank.
7. (d) Total expenditure in 2020-21 is expected to be ₹30,42,230 crore, which is 12.7% higher than the revised estimate of 2019-20.

Latest Current Affairs & Banking MCQs

1. (c) 2. (c) 3. (a) 4. (c)
5. (a) 6. (b) 7. (b)

1 CHAPTER

Evolution and Development of Banking in India

INTRODUCTION

Banking history dates back to 2000 years which involved **grain loans** to farmers and traders who carried goods between **cities** in **Mesopotamia and Babylonia**. Later, it was in ancient Greece and Roman Empire, who added two important innovations: acceptance of deposits and changed money.

Bank - A financial institution which accepts different forms of deposits and lends them to the prospective borrowers as well as allows the depositors to withdraw their money from the accounts by cheque is a bank.

BANKING IN ANCIENT INDIA

Archaeological evidences in India suggest that references to banking and regulations were even found in our **scriptures** and **ancient texts**. Debt is even mentioned in our **Vedic literature**. The Vedas (2000-1400 BCE) are earliest Indian texts to mention the concept of **usury** whereby the lender lends money at excessive rate of interest. It was also found to contain **Loan deed forms** which are called **rinapatra** or **rinalekhya** which also contained the details related to name of the debtor & creditor, amount of loan, rate of interest, condition of repayment and time of repayment.

Later the concept of Modern day banking system was conceptualised by the **people of Italy under the name Banco**.

The period of **Mauryan era** (321-185 BCE) saw an instrument called **adesha**, which was an order on a banker directing him to pay

the sum on the note to a third person, which corresponds to the definition of a modern bill of exchange.

Indigenous Banking:

The indigenous bankers lend money; act as money changers and finance internal trade of India by means of **hundis** or internal bills of exchange. It is certainly one of the oldest banking systems which have been functioning for centuries. However, with the coming of the British, its decline started. Despite the fast growth of modern commercial banks, however, the indigenous banks continue to hold a prominent position in the Indian money market even in the present times. It includes **shroffs, seths, mahajans, chettis, etc.**

Defects of Indigenous Banking

- (i) Indigenous banking is unorganized and does not sensitize the need and working of the different sectors of the economy, including banking sector.
- (ii) They only do business for trade and commerce and work on commission basis resulting in trade risk in their financial business.
- (iii) They did not distinguish between short term and long term finance purposes.
- (iv) Methods of accounting were based on **local practices** and hence could not match with modern methods of financial accounting.
- (v) Many of the indigenous bankers charged very high rate of interest.

BANKING IN MEDIEVAL ERA

The use of loan deeds continued into the **Mughal era** and were called **dastawez**.

Two types of loan deeds have been recorded.

- **Dastawez-e-indultalab** - payable on demand
- **Dastawez-e-miadi** - payable after a stipulated time.

The use of payment orders by **royal treasuries**, called **barattes** have also been recorded. The evolution of **hundis**, a type of credit instrument, also occurred during this period and remained in use.

BANKING IN MODERN ERA

The period of coming of Europeans (15th Century) till Indian independence in 1947, laid the real foundation of Modern Banking

system in India. This period was also characterized by the presence of a large number of banks (**more than 600**).

First Bank of India

Modern Banking system commenced in India with the foundation of Bank of **Hindustan in Calcutta (now Kolkata) in 1770 by M/s Alexander and co**, which **ceased** to operate in 1832.

Presidency Banks

The British East India Company had setup various trading posts and factories in India. They needed funds to fulfil their Administrative, Economic needs and also Military ambitions. So they setup **Three Presidency Banks** under the charters from the **British East India Company**.

IMPERIAL BANKS		
Date	Bank Name	Features
June 2, 1806	Bank of Bengal in Calcutta (Now Kolkata)	<ul style="list-style-type: none"> • 1st Presidency Bank in collaboration with British East India Company and Government of Bengal. • Total capital was ₹ 50 lakh of which ₹ 10 lakh was share of East India Company. • On January 2, 1809, Bank of Calcutta was renamed as Bank of Bengal. • At Cawnpore in 1862, amalgamation of Dacca Bank (established in 1846) with the Bank of Bengal.
April 15, 1840	Bank of Bombay in Bombay (Now Mumbai)	<ul style="list-style-type: none"> • 2nd Presidency Bank • It undertook all the normal activities which a commercial bank was expected to undertake.
July 1, 1843	Bank of Madras in Madras (Now Chennai)	<ul style="list-style-type: none"> • 3rd Presidency Bank • Established through the amalgamation of a number of existing regional banks and headquartered in Madras.
January 27, 1921	Imperial Bank of India – was formed by amalgamation of the Bank of Bengal, the Bank of Bombay and the Bank of Madras. <ul style="list-style-type: none"> • It was a private entity till that time. • In 1955, this Imperial Bank of India was nationalised and renamed as State Bank of India. • Thus, State Bank of India is the oldest bank of India among the banks that exist today. 	

Joint Stock Banks

A Bank that has many shareholders is called as joint stock Bank. In 1860, concept of limited liability was introduced in India leading to the establishment of Joint Stock Banks. Indian joint stock banks were generally undercapitalised and lacked the experience and maturity to compete with the presidency.

In 1863, the oldest Joint stock Bank called as **Bank of Upper India** was established which became defunct in 1913. On April 24, 1865, a group of British founded **Allahabad Bank in Allahabad**. The Bank is considered as one of the oldest joint stock bank which is still working and also one of the oldest public sector banks in India.

Other Notable Banks (Still Operating):

1894	Punjab National Bank	<ul style="list-style-type: none"> Established in Lahore in Punjab province by Lala Lajpat Rai, Babu Purshotam Lal Tandon, S. Dayal Singh and others. It was the first bank purely managed by Indians. It was established by Indian nationalist people
1911	Central Bank of India,	<ul style="list-style-type: none"> First Indian commercial bank wholly owned and managed by Indians. The bank also known as the First Truly Swadeshi bank of India. It was founded by Sir Sorabji Pochkhanawala and its First Chairman was Sir Pherozeshah Mehta.

Other Notable Banks (Now defunct):

In 1839, Indian merchants established a Bank called **Union Bank** but it failed within a decade.

The **Bank of Upper India** established in 1863, was the oldest joint stock bank of India but the bank failed in 1913.

In 1881, **Oudh Commercial Bank** was established at Faizabad. It was the first Bank of India with **Limited Liability** to be managed by Indian Board. After Independence, in 1958 this bank failed.

First Indian Bank to open a Foreign Branch (London, 1946) was **Bank of India**. It founded as a private entity in 1906

RESERVE BANK OF INDIA

In 1926, Royal Commission on Indian Currency and Finance popularly known as

the **Hilton-Young Commission** submitted its report and made recommendations to the **British Government of India** for creation of a central Bank.

Objectives:

- To separate the control of currency and credit from the government
- To augment banking facilities throughout the country

Finally, on April 1, 1935, Reserve Bank of India was established via the **RBI Act of 1934** as the banker to the central government.

Post-Independence Period

After independence, in order to serve the economy better, the **All India Rural Credit Survey Committee** was set up by RBI. This Committee recommended that **Imperial Bank of India** be taken over and with it are merged/ integrated former state-owned and state-associate banks.

The Government of India (GOI) adopted planned economic development which basically aimed at social ownership of the means of production. However, commercial banks were in the private sector those days. It was considered that banks were controlled by business houses and thus failed in catering to the credit needs of poor sections such as cottage industry, village industry, farmers, craft men, etc. In 1950-51, there were 430 commercial banks.

1951	India implemented its First Five Year Plan for overall development of the nation
1955	State Bank of India (SBI) was constituted in 1955 under the State Bank of India Act (1955)
1959	<p>State Bank of India (subsidiary bank) Act was passed, enabling the SBI to take over five major former state-associate banks as its subsidiaries. These were -</p> <ul style="list-style-type: none"> • State Bank of Patiala • State Bank of Hyderabad • State Bank of Travancore • State Bank of Bikaner & Jaipur • State Bank of Mysore <p>After creating a subsidiary of SBI, arrangement made was that 55 per cent of the capital will be owned by the SBI and rest 45 per cent remain with old shareholders. However, this arrangement also saw some weaknesses like reduced bank profitability, weak capital base, and banks getting / burdened with large amounts of bad loans (unrecovered loans).</p>
1966	<ul style="list-style-type: none"> • Cooperative Banks came within the regulations of the RBI. • Rupee was devaluated for the first time.

MERGER OF BANKS (2017-2020)

The Union Cabinet approves merger of 10 Public Sector Undertaking (PSU) banks will into four banks from 1 April 2020.

In the biggest consolidation exercise in the banking space, the government in August 2019 had announced the merger of 10 public sector lenders into four bigger and stronger banks.

With this, the number of public sector banks in India will come down to 12 from 27 in 2017.

- Oriental Bank of Commerce (OBC) and United Bank of India will be merged into Punjab National Bank (PNB). After the merger, these together will form the 2nd largest public sector bank in the country, after State Bank of India (SBI).
- Syndicate Bank will be merged into Canara Bank, which will make it the fourth-largest public sector lender.
- Indian Bank will be merged with Allahabad Bank.
- Union Bank of India will be merged with Andhra Bank and Corporation Bank
- Customers of merging banks will be treated as customers of the banks in which these banks have been merged with effect from 1 April 2020.
- After the merger, there will be 12 PSUs + 6 merged banks and 6 independent public sector banks.
- Earlier the Government of India merged 5 associates of SBI and the Bharatiya Mahila Bank (BMB) with the State Bank of India (SBI) with effect from 1 April 2017.

This merger made the SBI, the country's largest lender among the top 50 banks in the world.

➤ **State Bank of India**

- State Bank of Bikaner and Jaipur (SBBJ),
- State Bank of Hyderabad (SBH),
- State Bank of Mysore (SBM),
- State Bank of Patiala (SBP)
- State Bank of Travancore (SBT) and
- Bharatiya Mahila Bank (BMB),

On 17 September 2018, the Government of India proposed the merger of Dena Bank and Vijaya Bank with the Bank of Baroda. The merger was approved by the Union Cabinet and the boards of the banks on 2 January 2019, creating the third-largest bank by loans in the country.

➤ **Bank of Baroda**

Dena Bank

Vijaya Bank

List of 12 Public Sector banks in India

➤ **Merged banks (6)**

- State Bank of India (SBI)
- Bank of Baroda
- Punjab National Bank (PNB)
- Canara Bank
- Union Bank of India
- Indian Bank

➤ **Independent banks (6)**

- Indian Overseas Bank,
- UCO Bank,
- Bank of Maharashtra,
- Punjab and Sind Bank
- Bank of India
- Central Bank of India.

PAST YEAR MCQs

1. The Reserve Bank of India (RBI) has proposed a four-tier banking structure as opposed to the existing two-tier model in order to enhance competition and finance higher growth in the country.
Which of the following will not come under the third tier of the proposed system?
(IBPS RRB Main 2017)
 - (a) Old private sector banks
 - (b) Regional rural banks
 - (c) Multi-state urban cooperative banks
 - (d) Branches of foreign banks in India
 - (e) None of these
2. The IFSC is an 11-character code with the first four alphabetic characters representing the bank name, and the last six characters (usually numeric, but can be alphabetic) representing the branch. The fifth character is 0 (zero) and reserved for-
(SBI PO Main-2019)
 - (a) Future use
 - (b) Cash scheme
 - (c) Account Information
 - (d) Balance Rate
 - (e) Cash Withdraw

ANSWER KEYS

1.	(d)	2.	(a)							
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PRACTICE MCQs

1. In India, the first bank of **limited liabilities** managed by Indians and founded in **1881** was
- Hindustan Commercial Bank
 - Oudh Commercial Bank**
 - Punjab National Bank
 - Punjab and Sind Bank
 - National Bank
2. Match the following:
- | List I | | List II | |
|--------|---------------------------|---------|---------|
| A. | Allahabad Bank | 4 | 1. 1894 |
| B. | Oriental Bank of Commerce | 3 | 2. 1943 |
| C. | Punjab National Bank | 1 | 3. 1943 |
| D. | UCO Bank | 2 | 4. 1865 |
- Codes:
- | | | | | | | | |
|---|---|---|---|-------|---|---|---|
| A | B | C | D | A | B | C | D |
| (a) 2 | 4 | 3 | 1 | (b) 2 | 3 | 4 | 1 |
| <input checked="" type="checkbox"/> (c) 4 | 3 | 1 | 2 | (d) 4 | 1 | 3 | 2 |
| (e) 3 | 1 | 4 | 2 | | | | |
3. Consider the following statements:
- Allahabad Bank was the first bank established exclusively by Indians.
 - Seven banks forming subsidiary of State Bank of India were nationalised in **1960**.
- Which of the statements given above is/ are correct?
- Only 1
 - Only 2**
 - Both 1 and 2
 - Neither 1 nor 2
 - Can't say
4. When was the Avadh Commercial Bank established?
- 1881**
 - 1894
 - 1898
 - 1899
 - 1864
5. Imperial Banks were amalgamated and changed as
- Reserve Bank of India
 - State Bank of India**
 - Subsidiary Banks
 - Union Bank of India
 - Corporation Bank
6. _____ was established in **1786**.
- General Bank**
 - Reserve Bank of India
 - Bank of Bengal
 - State Bank of India
 - None of these
7. The first **wholly Indian** Bank was set-up in
- 1794
 - 1894** PNB
 - 1896
 - 1902
 - 1918
8. When was SBI established?
- 1st April, 1935
 - 31st July, 1969
 - 5th May, 1955
 - 1st July, 1955**
 - 5th May, 1960
9. The origin of the State Bank of India goes back to the first decade of the 19th century with the establishment of
- Bank of Calcutta**
 - Bank of Bengal
 - Bank of Bombay
 - Bank of Madras
 - None of these

10. Which bank came into existence in 1921 when three banks namely, Bank of Bengal (1806), Bank of Bombay (1840) and Bank of Madras (1843) were reorganised and amalgamated to form a single banking entity?
- (a) **Imperial Bank of India**
(b) State Bank of India
(c) Reserve Bank of India
(d) Punjab National Bank
(e) None of the above
11. Which bank became the State Bank of India in **1955**?
- (a) General Bank of India
(b) Bank of Hindustan
(c) **Imperial Bank of India**
(d) Federal Bank of India
(e) None of the above
12. Which of the following banks has acquired the '**Centurion Bank of Punjab**'?
- (a) ICICI Bank (b) IDBI Bank
(c) **HDFC Bank** (d) AXIS Bank
(e) None of these
13. Name the premier institution that is taking care of the financial needs of **importers and exporters** of our country which was **established in the year 1981**.
- (a) EXPO Bank
(b) **Export Import Bank (EXIM)**
(c) Merchant Bank
(d) ECGC
(e) None of the above
14. The Largest and Oldest Bank still in existence is
- (a) Punjab National Bank
(b) Reserve Bank of India
(c) **State Bank of India**
(d) Punjab National Bank
(e) None of The Above
15. Which among the following statements is correct?
- (a) State Bank of India originated as the **Bank of Calcutta in June 1806**.
(b) "Bank of Calcutta" was renamed as "Bank of Bengal".
(c) **Both of above**
(d) None of these
16. Which one of the public sector bank has completed **100 years** of its establishment on **21st December, 2011**?
- (a) **Central Bank of India**
(b) State Bank of India
(c) Punjab National Bank
(d) Bank of Baroda
(e) Allahabad Bank
17. Which institution provides long run finance to industries?
- (a) UTI (b) LIC
(c) GIC (d) **IFCI**
(e) All of these
18. **Open Added Money Market Scheme** was **firstly** introduced by
- (a) UTI (b) **IDBI**
(c) ICICI (d) LIC
(e) None of these
19. The Export Import Bank of India was **set up in**
- (a) July, 1969 (b) April, 1970
(c) **January, 1982** (d) April, 1982
(e) None of the above
20. Industrial Development Bank of India (**IDBI**) was established in-
- (a) **1964** (b) 1963
(c) 1965 (d) 1966
(e) None of these
21. Tier-2 banking structure is designed to have
- (a) 5 to 10 banks (b) **8 to 10 banks**
(c) 7 to 9 banks (d) 2 to 5 banks
(e) None of these

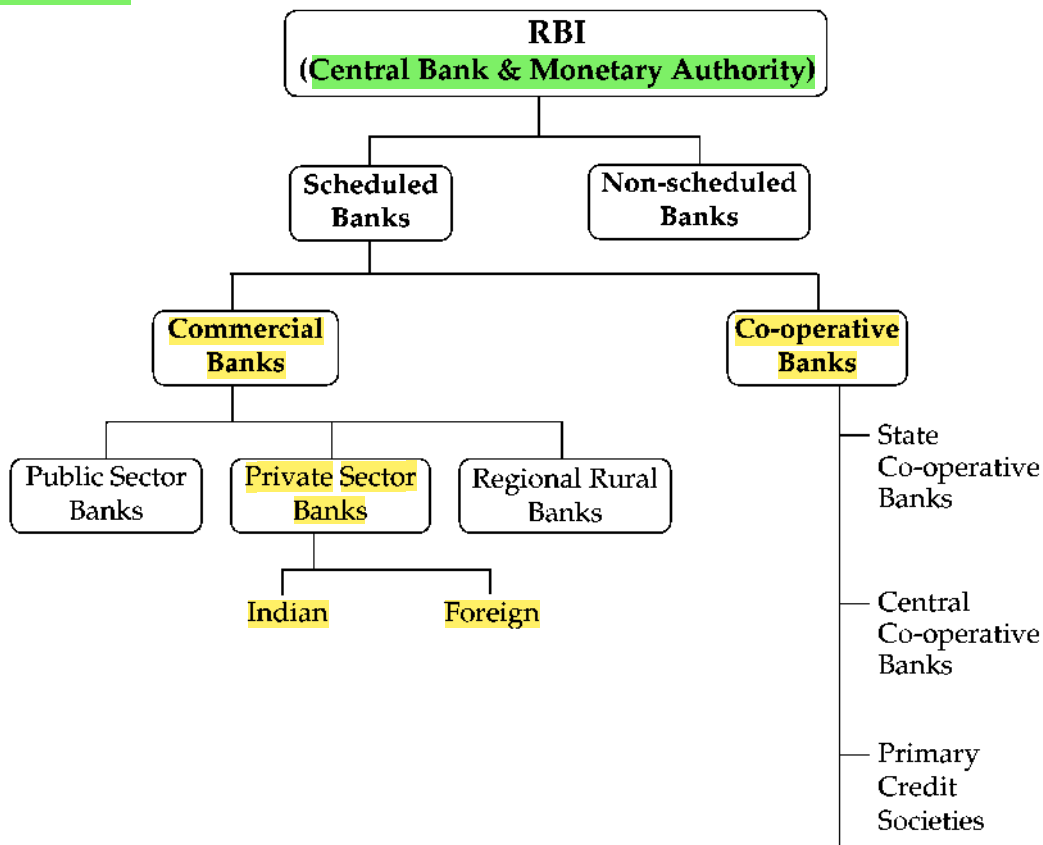
22. Exim Bank extends facility of
 (a) rediscounting of foreign bills of commercial banks
 (b) advisory services to the exporters
 (c) research and market surveys
 (d) All of the above
 (e) None of these
23. The branding line of Bank of Baroda is
 (a) International Bank of India
 (b) India's International Bank
 (c) India's Multinational Bank
 (d) World's Local Bank
 (e) None of the above
24. Which of the following banks has been included in the second Schedule to the RBI Act, 1934 with effect from 21st August, 2004 and thus, is the latest entrant in Indian banking as a new generation private sector bank?
 (a) ICICI Bank Limited
 (b) HDFC Bank Limited
 (c) Kotak Mahindra Bank Limited
 (d) Yes Bank Limited
 (e) None of the above
25. Which of the following is/are correct regarding the objectives of bank reforms in the 1990s?
 (a) Greater flexibility in banking operations
 (b) Greater accountability to shareholders
 (c) Greater control over bank functions
 (d) All the above
 (e) None of these
26. The formation of the 15th Finance Commission in India has been finalized. Who has been appointed to head the commission?
 (a) D. Subba Rao
 (b) N. K. Singh
 (c) Montek Singh Ahluwalia
 (d) Raghuram Rajan
 (e) Rakesh Mohan
27. Which of the following was/were suggested by Narasimham Committee-II report on banking?
 (a) Mergers of the public sector banks (PSBs) and the financial institutions.
 (b) Creating a 2-tier banking structure
 (c) Strengthening of legal framework of loan recovery
 (d) Both (a) and (c)
 (e) None of these
28. Bank of Upper India was established in
 (a) 1865 (b) 1863
 (c) 1866 (d) 1867
 (e) None of these
29. Which of the following was suggested by Hilton-Young Commission's report on the creation of a central Bank?
 (a) To separate the control of currency and credit from the government
 (b) To augment banking facilities throughout the country
 (c) Both (a) and (b)
 (d) None of these

ANSWER KEYS

1.	(b)	2.	(c)	3.	(b)	4.	(a)	5.	(b)
6.	(a)	7.	(b)	8.	(d)	9.	(a)	10.	(a)
11.	(c)	12.	(c)	13.	(b)	14.	(c)	15.	(c)
16.	(a)	17.	(d)	18.	(b)	19.	(c)	20.	(a)
21.	(b)	22.	(d)	23.	(b)	24.	(d)	25.	(d)
26.	(b)	27.	(d)	28.	(b)	29.	(c)		

INDIAN BANKING SYSTEM

The organized banking system in India can be broadly divided into three categories viz., the central bank of the country known as the Reserve Bank of India, the commercial banks and the co-operative banks. Another and more common classification of banks in India is between scheduled and non-scheduled banks. The Reserve Bank of India is the supreme monetary and banking authority in the country and has the responsibility to control the banking system in the country. It keeps the cash reserves of all scheduled banks and hence is known as the "Reserve Bank".



Scheduled and Non-Scheduled banks

A bank is said to be a scheduled bank when it has a paid up capital and reserves as per the prescription of RBI and is included in the second schedule of RBI Act 1934.

Non-scheduled banks are those commercial banks which are not included in the second schedule of RBI Act 1934.

RESERVE BANK OF INDIA

The Reserve Bank of India (RBI) was set up in 1935 (by the RBI Act, 1934) as a private bank with two extra functions—regulation and control of the banks in India and being the banker of the government. After nationalization in 1949, it emerged as the central banking body of India and it did not remain a 'bank' in the technical sense. Since then, the governments have been handing over different functions to the RBI, which stand today as given below:

- (i) It is the issuing agency of the currency and coins other than rupee one currency and coin (which are issued by Ministry of Finance itself with the signature of the Finance Secretary on the note).
- (ii) Distributing agent for currency and coins issued by the Government of India.
- (iii) Banker of the government.
- (iv) Bank of the banks/Bank of last resort.
- (v) Announces the credit and monetary policy for the economy.
- (vi) Stabilizing and targeting (CPI-C) the rate of inflation.
- (vii) Stabilizing the exchange rate of rupee.
- (viii) Keeper of the foreign currency reserves.
- (ix) Agent of the Government of India in the IMF.
- (x) Performing a variety of developmental and promotional functions under which.

Commercial Banks

Commercial bank is an institution that accepts deposits, makes business loans and offers related services to general public and businessmen. Commercial banks in India are largely Indian public sector and private sector with a few foreign banks. The public sector banks account for more than 80 percent of the entire banking business in India occupying a dominant position in the commercial banking. These are a profit making institution owned by government or private or both.

a. Public sector banks

- Owned and operated by the government, who has a major share in them.
- Major focus of these banks is to serve the people rather earn profits.
- Examples include State Bank of India, Punjab National Bank etc.

The public sector accounts for 80 percent of total banking business in India and State Bank of India is the largest commercial bank in terms of volume of all commercial banks.

b. Private sector banks

Private sector banks are those whose equity is held by private shareholders. For example, ICICI, HDFC etc. Private sector banks play a major role in the development of Indian banking industry.

c. Foreign Banks

Foreign banks are those banks which have their head offices abroad. These banks have their registered head offices in a foreign country, while they operate their branches in India. They can operate in India either through wholly-owned subsidiaries or through branches. CITI bank, HSBC, Standard Chartered etc. are the examples of foreign banks in India.

Regional Rural Bank (RRB)

These are state sponsored regional rural oriented banks. They provide credit for agricultural and rural development. The main objective of RRB is to develop rural economy. Their borrowers include small and marginal farmers, agricultural labourers, artisans etc. NABARD holds the apex position in the agricultural and rural development.

After nationalization of banks in 1960, there were problems which made it difficult for commercial banks even under government ownership to lend to farmers. Government set up Narasimham Working Group in 1975. On the basis of this committee's recommendations, a Regional Rural Banks Ordinance was promulgated in September 1975, which was replaced by the Regional Rural Banks Act 1976.

First RRB: Prathama Grameen Bank sponsored by **Syndicate Bank** established on **2nd October 1975** with its **Head Office at Moradabad**.

The RRBs are owned by three entities with their respective shares as follows:

Central Government-50%

State Government -15%

Sponsor bank-35%

Co-operative Banks

Cooperative banks are so called because they are organised under the provisions of the Cooperative Credit Societies Act of the states. The major beneficiary of the Cooperative Banking is the agricultural sector in particular and the rural sector in general.

The cooperative credit institutions operating in the country are mainly of two kinds: agricultural (dominant) and non-agricultural. There are two separate cooperative agencies for the provision of agricultural credit: one for short and medium-term credit, and the other for long-term credit. The former has three tier and federal structure.

Three tier structures exist in the cooperative banking:

- i. State cooperative banks (SCB) at the apex level.
- ii. Central cooperative banks (CCB) at the district level.
- iii. Primary cooperative banks (PCB) at the base or local level.

PAST YEAR MCQs

1. India got its first private bank in 11 years as the Bandhan Bank commenced operations on 23 Aug with 501 branches. What is the punch line of the bank?
(IBPS PO Main 2015)
 - (a) Apna Bhalai, Aapki Bhalai
 - (b) Aapka Bhalai, Sabki Bhalai
 - (c) Banking the Unbanked
 - (d) Khayal Aapka
 - (e) None of these
2. Which agency in India provides refinance of export credit? (IBPS PO Main 2016)
 - (a) SIDBI
 - (b) NABARD
 - (c) RBI
 - (d) EXIM Bank
 - (e) Government of India
3. Which bank has launched India's first internationally-listed certified green bond to finance climate change solutions around the world at London Stock Exchange (LSE)? (SBI PO Main 2017)
 - (a) Yes Bank
 - (b) ICICI Bank
 - (c) Axis Bank
 - (d) HDFC Bank
 - (e) None of these

4. As we know commercial banks accept deposits from the public. What do banks do with this money?
(SBI PO Main 2017)
- (a) This is a type of credit creation. Bank gives this on loan
(b) This is an income for the bank
(c) Banks give this money directly to the Govt. for developmental projects
(d) This money is deposited with the RBI who in turn gives some interest on it banks
(e) None of these
5. Which of the following bank is generally not considered as Commercial bank?
(SBI PO Main 2017)
- (a) Public Sector Bank
(b) Private Sector Bank
(c) Development Bank
(d) Foreign Bank
(e) None of these
6. Refinance facility is provided by NABARD. Which institution can avail this facility? (IBPS RRB Main 2017)
- (a) Commercial Banks
(b) State Co-operative Banks
(c) Regional rural Banks
(d) State agricultural Development Finance Companies
(e) All of the above
7. All Regional Rural Banks (RRBs) are advised to achieve and maintain a minimum CRAR of 9% on an ongoing basis. (SBI PO Main 2018)
- (a) 15% (b) 11%
(c) 5% (d) 9%
(e) 7%
8. The government has identified how many Regional Rural Banks (RRBs) for listing on stock exchanges in line with the Union Budget 2018-19. (SBI PO Main 2018)
- (a) five (b) two
(c) four (d) three
(e) one
9. YONO (You Only Need One) app is launched by which of the following?
(SBI PO Main 2018)
- (a) ICICI Bank (b) Bank of Baroda
(c) PNB (d) SBI
(e) HDFC Bank
10. Which of the following fund transfer mechanisms, can be moved from one bank to another and where transaction is settled instantly without being bunched with any other transaction?
(IBPS PO 2015)
- (a) RTGS (b) NEFT
(c) TT (d) EFT
(e) MT
11. Which of the following is not a primary function of a bank? (IBPS PO 2016)
- (a) Facilitating import of goods
(b) Remittance facility
(c) Safe custody of articles
(d) Foreign Exchange
(e) Purchase and Sale of Foreign Exchange
12. Bandhan bank deals mainly in
(IBPS PO RRB Main 2017)
- (a) Customer credit
(b) Microfinance
(c) Control of Money supply
(d) Both (a) and (b) are correct
(e) None of these

13. Who pays the Rural Area Business Correspondents for their services?
(IBPS PO RRB Main 2017)
- (a) Banks
(b) Ministry of Finance
(c) Ministry of Labour & Employment
(d) Ministry of Rural Development (India)
(e) None of these
14. Which of the following State-owned Bank has partnered with M1Xchange Trade Receivables Discounting System (TReDS) platform for MSME bill discounting?
(SBI PO Main-2019)
- (a) Canara Bank
(b) Bank of Maharashtra
(c) Bank of Baroda
(d) Indian Bank
(e) Central Bank of India

ANSWER KEYS

1.	(b)	2.	(d)	3.	(c)	4.	(a)	5.	(c)	6.	(c)	7.	(d)
8.	(c)	9.	(d)	10.	(a)	11.	(a)	12.	(a)	13.	(c)	14.	(b)

PRACTICE MCQs

1. Consider the following statements:
- In Indian Commercial Banking System, the number of the Non-scheduled Bank is more than the Scheduled Banks.
 - The Non-scheduled Banks in Indian Commercial Banking Systems are even less than a dozen in number.
- Which of the statements given above is/are correct?
- (a) Only 1 (b) Only 2
(c) Both 1 and 2 (d) Neither 1 nor 2
(e) Can't say
2. Which one of the following banks can be included in the Scheduled Commercial Banking System of India?
- (a) Regional Rural Banks
(b) Private Sector Banks
(c) Foreign Banks in India
(d) All of the above
(e) None of these
3. Consider the following statements:
- Scheduled Commercial Banks are those which have been included in the First Scheduled of RBI Act, 1934.
 - Non-scheduled Commercial Banks are those which have been included in the Second Scheduled of RBI act, 1934.
- Which of the statements given above is/are correct?
- (a) Only 1 (b) Only 2
(c) Both 1 and 2 (d) Neither 1 nor 2
(e) Can't say
4. A scheduled bank is the one which is included in the
- (a) II Schedule of Banking Regulation Act
(b) II Schedule of Constitution
(c) II Schedule of RBI Act
(d) All of these
(e) None of these

5. Presently, the number of the public sector banks in India is
 (a) 8 (b) 20
 (c) 21 (d) 14
 (e) None of these
6. Which of the following is popular 'saving bank' among the poor children?
 (a) Core banking
 (b) Credit banking
 (c) Debit banking
 (d) Merchant banking
 (e) Piggy banking
7. When banks accept fixed sum of money from an individual for a definite term and pay on maturity with interest, the deposit is known?
 (a) Term deposit
 (b) Demand deposit
 (c) Bond
 (d) Mortgage
 (e) Advance
8. Which one of the following whose activities are not systematically coordinated by the monetary authority?
 I. Organised sector
 II. Unorganised sector
 III. Co-operative sector
 Select the correct answer using the codes given below
 (a) Only II (b) I and III
 (c) Only I (d) II and III
 (e) Only III
9. Which one of the following dominates the organised sector? (CONTROLS)
 (a) RBI
 (b) Commercial Bank
 (c) Co-operative Bank
 (d) RRBs
 (e) SBI
10. A scheduled bank is one
 (a) which conforms to the requirements of Schedule III of the Banking Regulation Act, 1949
 (b) which has been declared as a scheduled bank by the Government of India
 (c) which has deposits exceeding ₹ 10 crore
 (d) which has its name added to the second schedule of the Reserve Bank of India Act, 1934
 (e) None of the above
11. Which of the following can be identified as a demat account?
 (a) Accounts which can have zero balance
 (b) Accounts opened to facilitate repayment of loan
 (c) Accounts in which shares of companies are traded in electronic form
 (d) Accounts maintained by mutual fund companies for investors
 (e) None of the above
12. How many banks are presently associates of State Bank of India?
 (a) 8 (b) 7
 (c) 6 (d) 5
 (e) None of these
13. The paid-up capital of non-scheduled bank is less than
 (a) ₹ 5 lakh (b) ₹ 10 lakh
 (c) ₹ 12 lakh (d) ₹ 15 lakh
 (e) None of these
14. Which financial entities can issue Certificate of Deposits (CDs)?
 (a) Scheduled Commercial Banks, excluding RRBs
 (b) Financial Institutions permitted by RBI
 (c) Both (a) and (b)

- (d) None of the above
(e) None of these
15. Which of the following is not the part of the scheduled banking structure in India?
(a) Money lenders
(b) Public sector banks
(c) Private sector banks
(d) Regional rural banks
(e) State co-operative banks
16. BCSBI stands for
(a) Banking Codes and Standards Board of India
(b) Banking Credit and Standards Board of India
(c) Banking Codes and Service Board of India
(d) Banking Credit and Service Board of India
(e) None of the above
17. Banking has been defined under _____
(a) Banking Regulation Act Section 5(b)
(b) Banking Regulation Act Section 17
(c) RBI Act Section 2 (2)
(d) Negotiable Instruments Act Section 1
(e) None of these
18. 'Unit Banking System' is that system where an individual bank undertakes the banking business
(a) through a single office
(b) through a few branches operating within a limited area
(c) All of the above
(d) through a few branches
(e) None of these
19. Kisan Credit Card is an effective way of reaching out to the farmers by the banks. What assistance does the farmer receive in this way?
(a) Credit facility for crops etc against an approved limit
(b) Short-term credit facility against value of his crops
(c) Long-term credit is provided against his land holdings
(d) Loan is permissible against crops sold, but payment yet to be received by the farmer
(e) None of these
20. Which of the following cannot be endorsed?
(a) A fixed deposit receipt
(b) A bank draft
(c) A Promissory note
(d) A usance bill of exchange
(e) None of these
21. In economics, it is generally believed that the main objective of a public sector financial company like bank is to
(a) employ more and more people
(b) maximise total profits
(c) maximise total production
(d) sell the goods at subsidised cost
(e) All of these
22. Which of the following is not required for opening a bank account?
(a) Identity proof
(b) Address proof
(c) Recent photographs
(d) Domicile certificate
(e) None of the above
23. Which of the following is a primary function of banks?
(a) Collection and payment of cheques, rent, interest etc on behalf of their customers
(b) Buying, selling and keeping in safe custody, the securities on behalf of their customers
(c) Acting as trustee and executors of the property of their customers on their advice
(d) Remitting money from one place to the other through bank drafts or mail or telegraphic transfers
(e) Accepting deposits

24. The banker is under an obligation to take utmost care in keeping secrecy of the details of the customer. However, the obligation of secrecy is not considered essential when
- a banker is required to give evidence in the court
 - there is national emergency and disclosure is essential in the public interest
 - there are clear proofs of reason to the state and when consent is given by the customer to provide information for the preparation of balance sheet
 - All of the above
 - None of the above
25. Regional Rural Bank was promulgated in
- 1975
 - 1974
 - 1970
 - 1976
 - 1973
26. The first regional rural bank was
- Prathama Grameen Bank
 - Allahabad UP Gramin Bank
 - Arunachal Pradesh Rural Bank
 - Assam Gramin Vikash Bank
 - None of these
27. Which of the following is/are correct about Cooperative Banks?
- They are organised under the provisions of the Cooperative Credit Societies Act.
 - The major beneficiary of the Cooperative Banking is the agricultural sector.
 - The cooperative credit institutions are of agricultural and non-agricultural type.
 - All of these

ANSWER KEYS

1.	(b)	2.	(d)	3.	(d)	4.	(c)	5.	(c)	6.	(e)	7.	(a)
8.	(a)	9.	(b)	10.	(d)	11.	(c)	12.	(e)	13.	(a)	14.	(d)
15.	(a)	16.	(a)	17.	(a)	18.	(c)	19.	(a)	20.	(a)	21.	(b)
22.	(d)	23.	(e)	24.	(d)	25.	(a)	26.	(a)	27.	(d)		

3 CHAPTER

RBI and its Functions

RESERVE BANK OF INDIA

RBI was established on **April 1, 1935** in accordance with the provisions of the Reserve Bank of India Act, 1934.

- The Central bank was formed under the recommendations from **John Hilton Young Commission 1926**, also called **Royal Commission of Indian Currency and Finance**.
- The Central Office of the Reserve Bank was **initially** established in **Calcutta** but was **permanently** moved to **Mumbai** in **1937**.

Though **originally** privately owned, since nationalization in 1949, the Reserve Bank is fully **owned** by the **Government of India**.

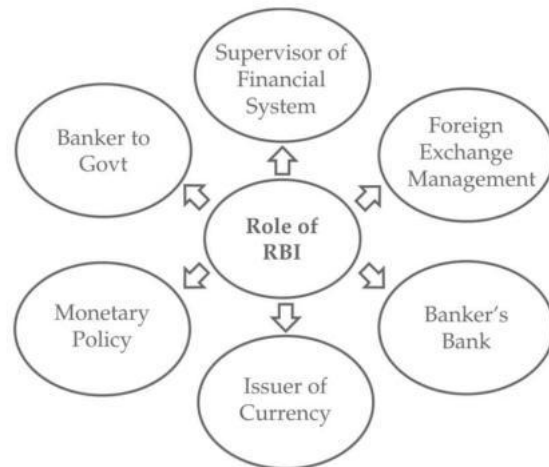
CONSTITUTION

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**.
- Governor
- Deputy Governors

First Governor of RBI - **Sir Osborne Smith**
First Indian Governor of RBI - **C. D. Deshmukh**

Functions of Reserve Bank of India



Monetary Authority:

Formulates, implements and monitors the monetary policy.

Objective: maintaining **price stability** and ensuring adequate flow of **credit** to **productive sectors**.

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**.

Developmental role:

Performs a wide range of promotional functions to support national objectives.

Banker to the Government:

Performs **merchant banking functions** for the **central and the state governments**; also acts as their banker.

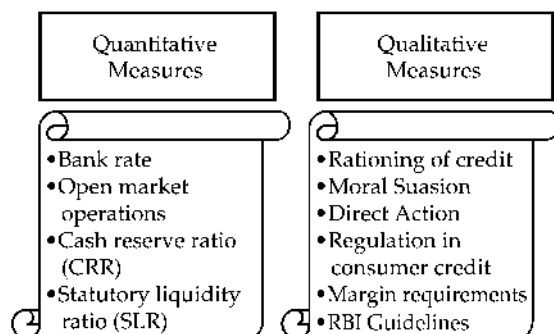
Banker to banks:

Maintains banking accounts of all scheduled banks.

INSTRUMENTS OF MONETARY POLICY - QUANTITATIVE & QUALITATIVE TOOLS

The instruments of monetary policy are tools or devices which are used by the **monetary authority** in order to attain some **predetermined objectives**.

ELEMENTS OF MONETARY POLICY



REPO AND REVERSE REPO RATE

Repo is a transaction wherein **securities are sold by the RBI and simultaneously repurchased at a fixed price**. This fixed price is determined in context of an interest rate called the **repo rate**. The **higher the repo rate**, more costly are the **funds for banks** and hence, higher will be the rate that banks pass on to customers. A high rate signals that access to **money is expensive** for banks; lesser credit will flow into the system that helps bring **down liquidity in the economy**. **Reverse repo rate** is the rate of interest at which the **RBI borrows funds** from other banks **in the short term**. This is done by RBI selling government bonds/securities to banks with the commitment to purchase them at a future date. RBI can **reduce the liquidity** in the banking system by **increasing the rate at which it borrows from banks**.

Bank will sell securities to RBI And will purchase back at higher Price as interest.
Short period like 7 days Repo Rate

CASH RESERVE RATIO (CRR)

This is the **percentage of a bank's total deposit** that needs to be kept as **cash with the RBI**. The central bank can change the ratio to a limit. A **high percentage means** banks have **less to lend**, which **curbs liquidity**; a low CRR does the opposite. The RBI can reduce or raise **CRR** to tighten or ease liquidity as the situation demands.

OPEN MARKET OPERATIONS

This refers to **buying and selling of government securities** by RBI to regulate **short-term money supply**. If RBI wants to **induce liquidity** or more funds into the system, it will buy government securities and inject funds, and if it wants to curb the amount of money out there, it will **sell these to banks**, thereby reducing the amount of cash that banks have. RBI uses this tool actively even outside of its monetary policy review to manage liquidity on a regular basis.

STATUTORY LIQUIDITY RATIO

This is the **percentage of banks' total deposits** that they are needed to **invest in government approved securities**. The lesser the amount

of SLR, the more banks have to lend outside. The ratio of liquid assets to **net demand and time liabilities (NDTL)** is called statutory liquidity ratio (SLR). It is in the form of liquid assets like **cash, gold and unencumbered securities**. Banks have to **report** to the RBI **every alternate Friday** their SLR maintenance, and **pay penalties** for **failing to maintain SLR** as mandated.

BANK RATE

This is the **re-discounting rate** that RBI extends to banks against securities such as bills of exchange, commercial papers and any other approved securities. In recent years, it has been the **repo rather than the bank rate** that has acted as a guideline for banks to set their interest rates. Directionally, bank rate follows **repo**.

In addition to these measures, RBI also uses many **qualitative tools** to regulate **credit flow and cost of credit** to the economy and specific sectors within it.

Current Rates:
CRR- 3%
SLR- 18.0%
REPO- 4.0%
REVERSE REPO- 3.35%
MSF AND BANK RATE- 4.25%

QUALITATIVE TOOLS:

Qualitative credit is used by the RBI for **selective purposes**. Some of them are

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

Demonetisation and RBI

- The government had **"advised"** the Reserve Bank to junk ₹500/1000 notes on **November 7, 2016**.
- The RBI's Central Board met the very next day to consider the government's advice.
- After **"deliberations,"** RBI decided to **"recommend that the legal tender status of the banknotes in the high denominations of ₹500 and ₹1000 be withdrawn**.

RBI under the **Section 20 of the RBI Act 1934** has the obligation to undertake the receipts and payments of the Central Government and to carry out the exchange, remittance and other banking operations, **including the management of the public debt of the Union**.

State Government transactions are carried out by RBI in terms of the agreement entered into with the State Governments in terms of **section 21 A** of the Act. As of now, such agreements exist between RBI and all the State Governments **except Government of Sikkim**.

Recently the Reserve Bank of India has said that **99.3%** of demonetized currency or 15.31 lakh of 15.41 lakh crore demonetized has been returned. Also, **household financial savings in currency** touched a **high 2.8 %** of gross national disposable income- the highest in 6 years.

RBI Offices

- RBI – 27 Regional offices. Main Offices
 – 04 Sub-offices Helping to main offices

Training Establishments

06 training establishments

- RBI Academy,
- College of Agricultural Banking and Reserve Bank of India Staff College.
- National Institute for Bank Management,
- Indira Gandhi Institute for Development Research (IGIDR)
- Institute for Development and Research in Banking Technology (IDRBT)

Fully owned subsidiaries of Reserve Bank of India

- Deposit Insurance and Credit Guarantee Corporation of India (DICGC)
- Bharatiya Reserve Bank Note Mudran Private Limited (BRBNMPL)
- Reserve Bank Information Technology Private Limited (ReBIT)
- Indian Financial Technology and Allied Services (IFTAS)

Governors of Reserve Bank of India

No.	Name	Term of office	
		Began	Ended
1	Osborne Smith	1 April 1935	30 June 1937
2	James Braid Taylor	1 July 1937	17 February 1943
3	C. D. Deshmukh	11 August 1943	30 June 1949
4	Benegal Rama Rau	1 July 1949	14 January 1957
5	K. G. Ambegaonkar	14 January 1957	28 February 1957
6	H. V. R. Iyengar	1 March 1957	28 February 1962
7	P. C. Bhattacharya	1 March 1962	30 June 1967
8	L. K. Jha	1 July 1967	3 May 1970
9	B. N. Adarkar	4 May 1970	15 June 1970
10	S. Jagannathan	16 June 1970	19 May 1975
11	N. C. Sen Gupta	19 May 1975	19 August 1975
12	K. R. Puri	20 August 1975	2 May 1977
13	M. Narasimham	3 May 1977	30 November 1977
14	I. G. Patel	1 December 1977	15 September 1982

MONETARY POLICY COMMITTEE

The **Monetary Policy Committee** of India is a committee of Reserve Bank of India that is responsible for **fixing the benchmark interest rate** in India. The committee was created in 2015 after amending the RBI Act, to bring transparency and accountability in fixing India's Monetary Policy.

The committee comprises **six members - three officials of the Reserve Bank of India and three external members nominated by the Government of India.** The Governor of RBI is the **ex-officio chairperson** of the committee. Decisions are taken by **majority with the Governor** having the casting vote in case of a tie. The current 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%.** The committee has to meet **at least 4 times in a year.**

Strong recommendations to set monetary policy committee in India had come from **Urjit Patel panel report.** Prior to this, the **B N Srikrishna headed financial sector legislative reforms Commission (FSLRC)** had also suggested framing a MPC to meet the challenge of the growing complex economy.

No.	Name	Term of office	
		Began	Ended
15	Manmohan Singh	16 September 1982	14 January 1985
16	Amitav Ghosh	15 January 1985	4 February 1985
17	R. N. Malhotra	4 February 1985	22 December 1990
18	S. Venkitaramanan	22 December 1990	21 December 1992
19	C. Rangarajan	22 December 1992	21 November 1997
20	Bimal Jalan	22 November 1997	6 September 2003
21	Y. V. Reddy	6 September 2003	5 September 2008
22	D. Subbarao	5 September 2008	4 September 2013
23	Raghuram Rajan	4 September 2013	4 September 2016
24	Urjit Patel	4 September 2016	11 December 2018
25	Shakti Kanta Das	11 December 2018	Incumbent

Reserve Bank of India - Brief History	
1926	<p>Royal Commission on Indian Currency and Finance popularly known as the Hilton-Young Commission submitted its report and made recommendations to the British Government of India for creation of a central Bank.</p> <p>Objectives:</p> <ul style="list-style-type: none"> To separate the control of currency and credit from the government To augment banking facilities throughout the country.
1933	<p>White Paper on Indian Constitutional Reforms recommended the creation of a Reserve Bank. A fresh bill was introduced in the Legislative Assembly.</p>
1934	<p>The Bill was passed and received the Governor General's assent</p>
April 1, 1935	<ul style="list-style-type: none"> Reserve Bank of India was established via the RBI Act of 1934 as the banker to the central government. RBI launched its operations from April 1, 1935. Its headquarters were in Kolkata in the beginning, but it was shifted to Shaheed Bhagat Singh Marg, Mumbai in 1937. RBI started as a privately owned bank. It started with a Share Capital of ₹ 5 Crore, divided into shares of ₹ 100 each fully paid up. In the beginning, this entire capital was owned by private shareholders. Out of this ₹ 5 Crore, the amount of ₹ 4,97,8000 was subscribed by the private shareholders while ₹ 2,20,000 was subscribed by central government.
1942	<p>Reserve Bank ceased to be the currency issuing authority of Burma (now Myanmar).</p>
1947	<p>Reserve Bank stopped acting as banker to the Government of Burma.</p>
1948	<p>Reserve Bank stopped rendering central banking services to Pakistan.</p>
1949	<ul style="list-style-type: none"> Government of India nationalized the Reserve Bank under the Reserve Bank (Transfer of Public Ownership) Act, 1948. Thus, the government passed Reserve Bank (Transfer to Public Ownership) Act, 1948 and took over RBI from private shareholders after paying appropriate compensation. Thus, nationalisation of RBI took place in 1949 and from January 1, 1949, RBI started working as a government owned central bank of India. Banking Regulation Act was enacted.

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
- Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002
- 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
- State Bank of India Act, 1955
- Companies Act, 1956/ Companies Act, 2013
- Securities Contract (Regulation) Act, 1956
- 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
- Recovery of Debts Due to Banks and Financial Institutions Act, 1993
- Competition Act, 2002
- Indian Coinage Act, 2011 : Governs currency and coins
- Banking Secrecy Act
- The Industrial Development Bank (Transfer of Undertaking and Repeal) Act, 2003
- The Industrial Finance Corporation (Transfer of Undertaking and Repeal) Act, 1993

Other relevant Acts

- Negotiable Instruments Act, 1881
- Bankers' Books Evidence Act, 1891

RBI Committees in Recent Times

Committee	Date	Headed by
Working Group on Core Investment Companies	October 2019	Tapan Ray
To Review Agricultural Credit	September 2019	Mahesh Kumar Jain
Development of Housing Finance Securitisation Market	September 2019	Dr. Harsh Vardhan
Development of Secondary Market for Corporate Loans	August 2019	T. N. Manoharan
To Review the Extant Economic Capital Framework of the Reserve Bank of India	August 2019	Dr. Bimal Jalan
On Offshore Rupee Markets	July 2019	Usha Thorat
Report on MSMEs	June 2019	U.K. Sinha
On Deepening of Digital Payments	May 2019	Nandan Nilekani
On Public Credit Registry for India	June 2018	Y. M. Deosthalee

Report of the Inter-Regulatory Working Group on FinTech and Digital Banking	February 2018	Sudarshan Sen
To Review of the Guidelines for Hedging of Commodity Price Risk by Residents in the Overseas Markets	November 2017	Chandan Sinha
Household Finance Committee	August 2017	Dr. Tarun Ramadorai
To Speed up the Process of Recalibration of ATMs	November 2016	S.S. Mundra
To study the regulatory issues relating to Financial Technology (Fintech) and Digital Banking in India	June 2016	SudarshanSen
To Review Governance of Boards of Banks in India	June 2016	P J Nayak
To look at the various facets of household finance in India and to benchmark India's position	August 2016	Dr. TarunRamadorai
Development of corporate bond	August 2016	H.R. Khan
Working Group on Import Data Processing and Monitoring System	April 2016	A. K. Pandey
Working group on Interest Rate Options	February 2016	P. G. Apte
Committee on Differential Premium System for Banks in India	September 2015	Jasbir Singh
Working Group on Compilation of Flow of Funds Accounts for Indian Economy August	August 2015	D. K. Mohanty
High Powered Committee on Urban Co-operative Banks (UCBs)	June 2015	R. Gandhi
Committee on Data Standardization	March 2015	LP. Parthasarathi
Committee on Capacity Building in Banks and Non Banks	September 2014	G. Gopalakrishna
Committee on Implementation of Countercyclical Capital Buffer	July 2014	B. Mahapatra
Committee on Data and Information Management in the Reserve Bank of India	July 2014	D. K. Mohanty
Committee on productivity growth for the Indian Economy	June 2014	B. N. Goldar
Committee to Review Governance of Boards of Banks in India	May 2014	P. J. Nayak
Working group on resolution Regime for Financial Institutions	May 2014	Anand Sinha
Committee on licensing of new Urban Cooperative Banks	September 2011	Malegam Committee
Committee on issues and concerns in the NBFC Sector	August 2011	Usha Thorat

PAST YEAR MCQs

1. The Reserve Bank of India has issued a licence to which of the following to launch operations in India?
(IBPS RRB PO Main 2018)
 - (a) CITIC Ka Wah Bank Limited
 - (b) China Construction Bank
 - (c) **Bank of China**
 - (d) Chong Hing Bank Limited
 - (e) Bank of East Asia Limited
2. Who is the first Chief Financial Officer of RBI?
(RBI Grade-B 2018)
 - (a) Urjit Patel
 - (b) S. Mahalingam
 - (c) Sudha Balakrishnan
 - (d) **V. Balakrishnan**
 - (e) None of these
3. What is Cash Reserve Ratio?
(IBPS PO Main 2016)
 - (a) Deposits of banks in government securities
 - (b) Rate at which banks borrow funds from the RBI
 - (c) **Deposits (as cash) which banks have to keep/maintain with the RBI**
 - (d) Rate at which RBI borrows money from the banks
 - (e) Rate at which RBI borrows money from the government
4. Cash Reserve Ratio (CRR) is a specified minimum fraction of the total deposits of customers, which commercial banks have to hold as reserves either in cash or as deposits with the central bank. CRR is set according to the guidelines of the central bank of a country. CRR controls-
(SBI PO Main 2016)
 - (a) It cheaper for banks to borrow money
 - (b) Is a tool, which central bank uses for short-term purposes
 - (c) **Greater control to the central bank over money supply**
 - (d) Marking a shift from earlier method of calibrating various policy rates separately
 - (e) None of these
5. In which form is the Cash Reserve Ratio (CRR) to be maintained with the Reserve Bank of India ?
(IBPS Clerk 2013)
 - (a) **Minimum cash reserves**
 - (b) Gold
 - (c) Approved Securities
 - (d) Both (a) and (b)
 - (e) All of the above
6. Which of the following is correct regarding the Statutory Liquidity ratio (SLR)?
(IBPS Clerk 2013)
 - (a) **It restricts commercial bank's leverage in pumping more money into the economy**
 - (b) It is maintained only in form of cash
 - (c) It controls liquidity in banking system
 - (d) It does not ensure the solvency of commercial banks
 - (e) None of these
7. Reverse Repo is a tool used by RBI to.....
(IBPS RRB Main 2017)
 - (a) Increase liquidity of banking system
 - (b) **Absorb liquidity**
 - (c) Inject liquidity
 - (d) Keep the liquidity a one level
 - (e) None of these
8. The Monetary Policy Committee (MPC) of India is responsible for fixing the benchmark interest rate in India. **Who is not in MPC?**(IBPS RRB Asst. Main 2018)
 - (a) Urjit R Patel
 - (b) **Arun Jaitley**
 - (c) Viral V Acharya
 - (d) Michael Debabrata Patra
 - (e) Ravindra H Dholakia

9. Which of the following **three year roadmap** finalized by The Reserve Bank of India (RBI) to improve regulation and supervision, among other functions of the central bank? **(SBI PO Main-2019)**
- (a) Utkarsh 2021 (b) **Utkarsh 2022**
 (c) Utkarsh 2023 (d) Utkarsh 2024
 (e) Utkarsh 2025
10. What is the percentage of RRB sponsor bank contribution?
(RBI Assistant 2015)
- (a) 75% (b) **35%**
 (c) 45% (d) 50%
 (e) None of these
11. According to a recent Reserve Bank's Instructions on Banking matters. Banks **cannot accept interest free deposits other than in** **(IBPS Clerk 2013)**
- (a) Demand deposit account
 (b) Term deposit account
 (c) **Current account**
 (d) Both (a) and (b)
 (e) None of these
12. Which of the following is/are traditional type of **open market operations** used by the **Reserve Bank of India** ?
(IBPS Clerk 2013)
- (a) **Outright purchase**
 (b) CRR (Cash reserve ratio)
 (c) SLR (Statutory Liquidity Ratio)
 (d) **Repurchase agreement (REPO)**
 (e) **Both (a) and (d)**
13. The deposit of cash under **cash reserve ratio(CRR)** requirement with the RBI is a **(SBI PO Main 2017)**
- (a) Contributory requirement
 (b) Discretionary requirement
 (c) **Mandatory requirement**
 (d) Voluntary requirement
 (e) None of these
14. Which one of the following rates is not decided by RBI? **(SBI PO Main 2017)**
- (a) Repo rate
 (b) **Prime Lending Rate**
 (c) Bank rate
 (d) Marginal Standing Facility (MSF) rate
 (e) None of these
15. Base Rate of loans are **(IBPS RRB Main 2017)**
- (a) **Set by the Reserve Bank of India**
 (b) Fixed by individual banks
 (c) **Applicable to all new loans after July 2010**
 (d) Both a and b
 (e) **Both b and c**
16. Which of the following is/are not the function/functions of RBI?
(IBPS PO RRB Main 2017)
1. Issue of Notes
 2. Bankers of Bank
 3. **Issue of One Rupee note**
- (a) Only 1 (b) Only 2
 (c) **Only 3** (d) Only 2 and 3
 (e) All 1, 2 and 3
17. The RBI has recently constituted a 10-member 'High Level Task Force on **Public Credit Registry (PCR)** for India', who is the head of **Public Credit Registry**?
(IBPS PO Main 2018)
- (a) Sekar Karnam
 (b) Rashesh Shah
 (c) Vishaka Mulye
 (d) Sriram Kalyanaraman
 (e) **YM Deosthalee**
18. The RBI has asked banks authorised to deal in foreign exchange (Authorised Dealer-I Banks) to share data with which of the following? **(IBPS PO Main 2018)**
- (a) Ministry of Finance
 (b) Securities and Exchange Board of India
 (c) **Directorate of Revenue Intelligence**
 (d) Intelligence Bureau
 (e) Comptroller and Auditor General of India

19. The rate of interest charged by the central bank for short term on the cash borrowed by commercial banks is called _____.
(IBPS RRB Asst. Main 2018)
- Repo Rate
 - Reverse Repo Rate
 - Bank Rate
 - Cash Reserve Ratio
 - Base Rate
20. Statutory Liquidity Ratio (SLR) is defined as 'the share of bank's total deposit that it needs to maintain itself as liquid assets'. The current rate of SLR is 19.50%.
(IBPS RRB Asst. Main 2018)
- 19.75%
 - 20.00%
 - 19.50%
 - 20.25%
 - 19.25%
21. The rate on which banks borrow loan from RBI is _____.
(IBPS RRB PO Main 2018)
- Reverse Repo Rate
 - Repo Rate
 - Cash Reserve Ratio
 - Base rate
 - Marginal Standing Facility
22. To provide relief to the medium and small enterprises sector, the RBI announced that GST registered MSME borrowers will get a further _____ day window to pay dues if their accounts were standard as on August 31st 2017.
(IBPS RRB PO Main 2018)
- 30 days
 - 150 days
 - 90 days
 - 120 days
 - 180 days
23. What is rate of SLR?
(RBI Grade-B 2018)
- 19.5%
 - 18.5%
 - 16.25%
 - 15.5%
 - None of these
24. In order to address the twin balance sheet problem of the banking sector and the corporate sector, the RBI made a strong case for setting up a _____ in India.
(IBPS Clerk Main 2019)
- Public Credit Registration
 - Public Credit Registry PCR
 - Public Credit Review
 - Public Credit Reminder
 - Public Commerce Registry.
25. T.N. Manoharan Committee was launched by? (SBI Clerk Main-2019)
- RBI
 - Ministry of Finance
 - SIDBI
 - SEBI
 - None of these
26. RBI constituted a six-member committee to strengthen the corporate governance framework of systematically important CICs. What is the full form of CIC?
(IBPS RRB Clerk Main-2019)
- Core Investment Company
 - Committed Investor Company
 - Core Information Cell
 - Cost of Investment Company
 - None of these
27. RBI has instructed banks on cash withdrawal at POS for tier III to Tier VI
(IBPS Clerk Main-2020)
- 500/- per day
 - 1000/- per day
 - 1500/- per day
 - 2000/- per day
 - 2500/- per day
28. RBI has increased the timeline for conversion of minimum KYC detail for prepaid payment instruments (PPIs) to full KYC compliant PPIs.
(IBPS Clerk Main-2020)
- 6 months to 12 months
 - 12 months to 18 months
 - 18 months to 24 months
 - 1 months to 6 months
 - 24 months to 30 months

29. The government has named _____ **outside experts** as members of the Monetary Policy Committee (MPC) of the Reserve Bank of India (RBI), moving to a model followed in the developed world. **(SBI PO Main 2016)**
- (a) One (b) Two
(c) **Three** (d) Four
(e) Five
30. The Reserve Bank of India has started housing loans of up to ₹_____ for dwellings costing less than ₹ 45 lakh, will be treated as priority sector lending in metropolitan centre (**with population of ten lakh and above**). **(IBPS RRB PO Main 2018)**
- (a) ₹ 42 lakhs (b) ₹ 40 lakhs
(c) ₹ 32 lakhs **(d) ₹ 35 lakhs** Upto
(e) ₹ 30 lakhs

ANSWER KEYS

1.	(c)	2.	(c)	3.	(c)	4.	(c)	5.	(a)
6.	(a)	7.	(b)	8.	(b)	9.	(b)	10.	(b)
11.	(c)	12.	(e)	13.	(c)	14.	(b)	15.	(e)
16.	(c)	17.	(e)	18.	(c)	19.	(a)	20.	(c)
21.	(b)	22.	(e)	23.	(a)	24.	(b)	25.	(a)
26.	(a)	27.	(d)	28.	(c)	29.	(c)	30.	(d)

PRACTICE MCQs

- Which of the following training establishment is **not run by Reserve Bank of India**?
 - Bankers Training College, Bombay
 - College of Agricultural Banking, Pune
 - NIBM**
 - All of the above
 - None of these
- The currency notes issued by RBI have a cent percent cover in
 - approved assets**
 - gold
 - foreign exchange
 - trustee securities
 - None of these
- Which of the following do not fall within the functions of the Reserve Bank of India?
 - Regulation of currency
 - Control of credit
 - Banker of the government, banker's bank and lender of the last resort
 - Accepting deposits and making loans and advances to public**
 - None of the above
- Which of the following are the **main functions** of the Reserve Bank of India?
 - Granting licences to commercial banks for opening branches in rural areas
 - Accepting deposits from the public
 - Regulating foreign exchange business
 - Acting as note issuing authority, bankers' bank and banker to the government**
 - None of the above

5. The Public Debt Office of the Reserve Bank of India
- is a central depository for all types of Government securities except Treasury Bills
 - attends to the function of note issue the Reserve Bank of India
 - is responsible for maintaining external value of rupee
 - controls balance of payment position of the Government of India
 - None of the above
6. Which of the following are the instruments of Credit Control in the hands of the RBI?
- Lowering or raising the discount and interest rates.
 - Raising the minimum support price of the major agro products.
 - Lowering or raising the minimum cash reserves maintained by the commercial banks.
- Select the correct answer using the codes given below
- Only I
 - Only II
 - Only III
 - Both I and III
 - Both II and III
7. RBI's open market operation transactions are carried out with a view to regulate.
- liquidity in the economy
 - prices of essential commodities conflation
 - borrowing power of the banks
 - All of the above
 - None of these
8. Which of the following functions are not being performed by the Reserve Bank of India?
- Regulation of banks in India
 - Regulation of foreign direct investment in India
 - Foreign currency management in India
 - Control and supervision of money supply
 - Currency management in India
9. The exchange rate in India is dependent upon
- Government policy
 - Demand-supply forces
 - Monetary policy objectives
- Only 2
 - 2 & 3
 - 1 & 2
 - 1, 2 & 3
10. Prior approval (as also a licence) of RBI is required for opening
- personal banking branches
 - merchant banking branches
 - asset recovery branches
 - All of the above
 - None of these
11. Who acts as the banker to the Government of India?
- State Bank of India
 - Reserve Bank of India
 - NABARD
 - Nationalised Banks
 - Central Bank of India
12. Who decides on the quantity of coins to be minted?
- The Government of India
 - RBI
 - SEBI
 - All of the above
 - None of these
13. What is the animal of the insignia of the RBI?
- Lion
 - Tiger
 - Panther
 - Elephant
 - Horse
14. Which of the following is NOT a source of funds of a commercial bank?
- Capital
 - Borrowings from RBI
 - Call money
 - Cash reserves with RBI
 - None of these
15. The methods of credit control by the Reserve Bank of India may be broadly divided into
- Open and close

- (b) Quantitative and Qualitative
(c) Monetary and fiscal
(d) Rural and urban
(e) None of these
16. When was Reserve Bank of India Nationalised?
(a) 1947 (b) 1948
(c) 1949 (d) 195
(e) 1960
17. Many Regional Rural Banks are given licence to open branches in small cities and towns. These licences are given by
(a) Cabinet Committee on Economic Affairs
(b) Reserve Bank of India
(c) NABARD
(d) Indian Banks' Association
(e) None of these
18. The RBI has adopted model, in which mobile banking is promoted through business correspondents of banks.
(a) Bank Led (b) Bank Mobile
(d) Mobile (d) All of these
(e) None of these
19. Which of the following is/are known as banker's bank?
(a) SBI (b) NABARD
(c) RBI (d) All of these
(e) None of these
20. Section 14 of Banking Regulation Act, 1949
(a) prohibits a banking company from creating a charge upon any unpaid capital of the company
(b) contains a system of licensing of banks by the RBI
(c) provides that the subscribed capital of a banking company should not be less than one-half of its authorised capital
(d) All of the above
(e) None of these
21. Open market operations, one of the measures taken by RBI in order to control credit expansion in the economy, means
(a) sale or purchase of government securities
(b) issuance of different types of bonds
(c) auction of gold
(d) to make available direct finance to borrowers
(e) None of these
22. Under which section of the Reserve Bank of India Act, the Reserve Bank has the sole right of note issue?
(a) Section 20 (b) Section 22
(c) Section 25 (d) Section 28
(e) Section 30
23. From the given options, bring out the one which is not a function/power of Reserve Bank of India?
(a) To assume the responsibility meeting directly or indirectly all reasonable demands for accommodation
(b) To hold cash reserves of the commercial banks and make available financial accommodation to them
(c) To enjoy monopoly of the note issue
(d) To assume responsibility of all banking operations of the government
(e) The assume the responsibility of statistical analysis of data related to macro economy of India
24. Who supplies interest-charts for different maturities and for different rates of interest?
(a) IBA Indian Banks' Association
(b) RBI
(c) Government of India
(d) IBRD
(e) Other than the given options
25. All venture Capital Funds must be registered with
(a) RBI
(b) SEBI
(c) Registrar of Companies
(d) Either (a) or (b)
(e) None of these

26. Which of the following statements is correct?
- RBI is just like any ordinary commercial bank
 - RBI is responsible for the overall Monetary Policy
 - The Fiscal Policy of India is approved by RBI
 - RBI has Deputy Chairman Planning Commission on its board
 - None of these
27. The RBI is not expected to perform the function of
- the banker to the government
 - accepting deposit from commercial banks
 - accepting deposit from commercial public
 - issue of currency
 - None of these
28. RBI stipulates a healthy mix of CASA in the business figures of banks. What does it denote?
- Customer Analysis and Savings Pattern
 - Cost Appreciation and Selling Analysis
 - Current Account and Savings Account
 - Credit and Savings Aggregate
 - None of these
29. Which of the following is/are functions of the RBI?
- Acts as the currency authority.
 - Controls money supply and credit.
 - Manages foreign exchange.
 - Serves as a banker to the government.
- Select the correct answer using the codes given below:
- I and II
 - II and III
 - I, II and III
 - All of these
 - None of these
30. The first Governor of the Reserve Bank of India from 1st April, 1935 to 30th June, 1937 was
- Sir Osborne Smith
 - Sir James Taylor
 - CD Deshmukh
 - Sir Benegal Rama Rao
 - KG Ambegaonkar
31. Headquarters of Reserve Bank of India is in
- New Delhi
 - Mumbai
 - Kolkata
 - Chennai
 - Hyderabad
32. When RBI acts as a baker to the government, what does it do?
- RBI keeps bank accounts of the government
 - RBI carries out government transactions
 - RBI advises the government on all financial and monetary matters
 - All of the above
 - None of these
33. A bank which acts as a banker of other banks is called
- saving bank
 - commercial bank
 - investment bank
 - development bank
 - central bank
34. RBI provides Ways and Means Advances (WMA) to
- Central Government
 - State Government
 - Both
 - None
35. An average citizen cannot open a Savings account in which of the following?
- Commercial bank
 - Post office
 - Co-operative bank
 - RBI
 - None of these

4

CHAPTER

Nationalisation of Banks

NATIONALISATION OF BANKS

The Government of India had some social objectives like ensuring social welfare, credit availability to the needy sectors such as Agriculture, Small and Village Industries, checking private monopolies, Reducing Regional Imbalance and so on. These commercial banks failed helping the government in attaining these objectives. Thus, the government decided to nationalize 14 major commercial banks on 19th July, 1969. All commercial banks with a deposit base over ₹50 crores were nationalized.

List of 14 Banks Nationalized in 1969 (1st Phase)

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

2nd Phase of Nationalisation

This process was followed again in 1980 when another lot of six banks were nationalized

under Banking Companies (Acquisition and Transfer of Undertakings) Act, 1980.

The stated reason for the nationalisation was to give the government more control of credit delivery. With the second phase of nationalisation, the Government of India controlled around 91% of the banking business in India.

The 6 banks nationalized in 1980 are as follows:

List of 6 Banks Nationalized in 1980 (2nd Phase)

1. Punjab & Sind Bank
2. Oriental Bank of Commerce
3. New bank of India (now merged with Punjab National Bank)
4. Vijay Bank
5. Andhra Bank
6. Corporation Bank

In 1993 the New bank of India was merged with another bank that traced its roots to Lahore – Punjab National Bank. The New bank of India thus become the first nationalized bank to be merged with another.

After merging the New bank of India total nationalized banks are 19.

On the State Banks (Repeal and Amendment) Bill of 2017

In August 2017, the Lok Sabha passed the State Banks (Repeal and Amendment) Bill of 2017 to amend the State Bank of India (SBI) Act of 1955 to remove references related to subsidiary banks.

After the acquisition of subsidiary banks by the SBI, subsidiary banks have ceased to exist. Therefore, the government found it necessary to repeal the SBI (Subsidiary Banks) Act of 1959 and the State Bank of Hyderabad Act of 1956.

The government has also found it unnecessary to retain certain provisions in the SBI Act, 1955, which apply to subsidiary banks. These subsidiary banks – State Bank of Bikaner and Jaipur, State Bank of Mysore, State Bank of Patiala, and State Bank of Travancore – were constituted under the SBI (Subsidiary Banks) Act of 1959.

The State Bank of Hyderabad was originally constituted as Hyderabad State Bank under the Hyderabad State Bank Act and renamed as the State Bank of Hyderabad under sub-section (1) of Section 3 of the State Bank of Hyderabad Act of 1956.

To rationalise resources, reduce costs, improve profits, for lower cost of funds leading to better rate of interest for the public, and to improve productivity and customer service, the SBI, with the sanction of the Central government and in consultation with the Reserve Bank of India (RBI), entered into negotiations with the State Bank of Bikaner and Jaipur, the State Bank of Mysore, the State Bank of Patiala, the State Bank of Travancore and the State Bank of Hyderabad for acquiring their business, including assets and liabilities. The schemes relating to such acquisitions were agreed upon by the Central Board of the SBI and the respective boards of the subsidiary banks and approved by the RBI. In exercise of the powers conferred by sub-section (2) of Section 35 of the SBI Act, 1955, the Central government accorded its sanction.

Accordingly, the Central government issued the following orders, sanctioning the scheme of acquisition: (a) the Acquisition of State Bank of Bikaner and Jaipur Order, 2017; (b) the Acquisition of State Bank of Mysore Order, 2017; (c) the Acquisition of State Bank of Patiala Order, 2017; (d) the Acquisition of State Bank of Travancore Order, 2017; and (e) the Acquisition of State Bank of Hyderabad

Order, 2017. As per these, the business of these subsidiary banks is to be carried out by the SBI in accordance with the SBI Act, 1955, with effect from April 1, 2017.

Impact of Nationalisation

After the two major phases of nationalization in India, the 80% of the banking sector came under the public sector / government ownership. The nationalization of banks imparted major impetus to branch expansion in un-banked, 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. After the nationalisation of banks, the branches of the public sector banks in India rose to approximately 800 per cent in deposits, and advances took a huge jump by 11,000 per cent. Government ownership gave the public implicit faith and immense confidence in the sustainability of public sector banks.

Demerits of Nationalisation of Banks in India

Though the nationalisation of commercial banks was undertaken with tall objectives, in many senses it failed in attaining them. In fact it converted many of the banking institutions in the loss making entities. The reasons were obvious lethargic working, lack of accountability, lack of profit motive, political interference, etc. Under this backdrop, it is necessary to have a critical look at the whole process of nationalisation in the period after nationalisation.

The major limitations of the nationalisation of banks in India are:-

- **Inadequate banking facilities** : Even though banks have spread across the country, still many parts of the country are unbanked. Especially in the backward states such as the Uttar Pradesh, Bihar, Madhya Pradesh, Chhattisgarh and north-eastern states of India.

- **Limited resources mobilized and allocated** : The resources mobilized after the nationalisation is not sufficient if we consider the needs of the Indian economy. Sometimes the deposits mobilized are enough but the resource allocation is not as per the expansions.
- **Lowered efficiency and profits** : After nationalisation, banks fell into the government sector. Many times political forces pressurized them. Banking was not done on professional and ethical grounds. It resulted in lower efficiency and poor profitability of banks.
- **Increased expenditure** : Due to huge expansion in a branch network, large staff administrative expenditure, trade union struggle, etc. banks expenditure increased to a dangerous levels.
- **Political and Administrative Interference**: Many public sector banks badly suffered due to the political interference. It was seen in arranging loan melas. It ultimately resulted in huge non-performing assets (NPA) of these banks and inefficiency.

Apart from these, there are certain other limitations as well, such as weak infrastructure, poor competitiveness, etc.

But after Economic Reforms of 1991, the Indian banking industry has entered into the new horizons of competitiveness, efficiency and productivity. It has made Indian banks more vibrant and professional organizations, removing the bad days of bank nationalisation.

BANKING REFORM PHASE

Commercial banks in India have traditionally focused on meeting the short-term financial needs of industry, trade and agriculture but long term financial needs were left for other agencies or government to meet. There was no coordination between commercial banks and long term lending organizations. Hence when one was available the other was not available.

As such with the growing need for long term funds for financing industrial

projects, Government established Industrial Development Bank of India (IDBI) in 1964 to help industrial sector with long term financial resources to boost industrial growth.

The Government of India initiated measures to play an active role in the economic life of the nation, and the Industrial Policy Resolution adopted by the government in 1948 envisaged a mixed economy. This resulted in greater involvement of the state in different segments of the economy including banking and finance. The major steps to regulate banking included:

The Reserve Bank of India, India's central banking authority, was established in April 1935, but was nationalised on 1 January 1949 under the terms of the Reserve Bank of India (Transfer to Public Ownership) Act, 1948.

In 1949, the Banking Regulation Act was enacted, which empowered the Reserve Bank of India (RBI) "to regulate, control, and inspect the banks in India." The Banking Regulation Act also provided that no new bank or branch of an existing bank could be opened without a license from the RBI, and no two banks could have common directors.

One important feature of the reforms of the 1990s was the permission to open new private sector banks. Following this decision, new banks such as ICICI Bank, HDFC Bank, IDBI Bank, Development Credit Bank (DCB), Kotak Mahindra Bank, Indusind Bank, Yes Bank, UTI Bank (now Axis bank), Bandhan Bank, RBL (Ratnakar Bank Limited) were set up.

From 1991 onwards till today, banking industry has seen the reforms in terms of their management and business policies. The main aim of reforms is to create a vibrant financial sector that is efficient, competitive and responsive to the needs of the economy and the people at large.

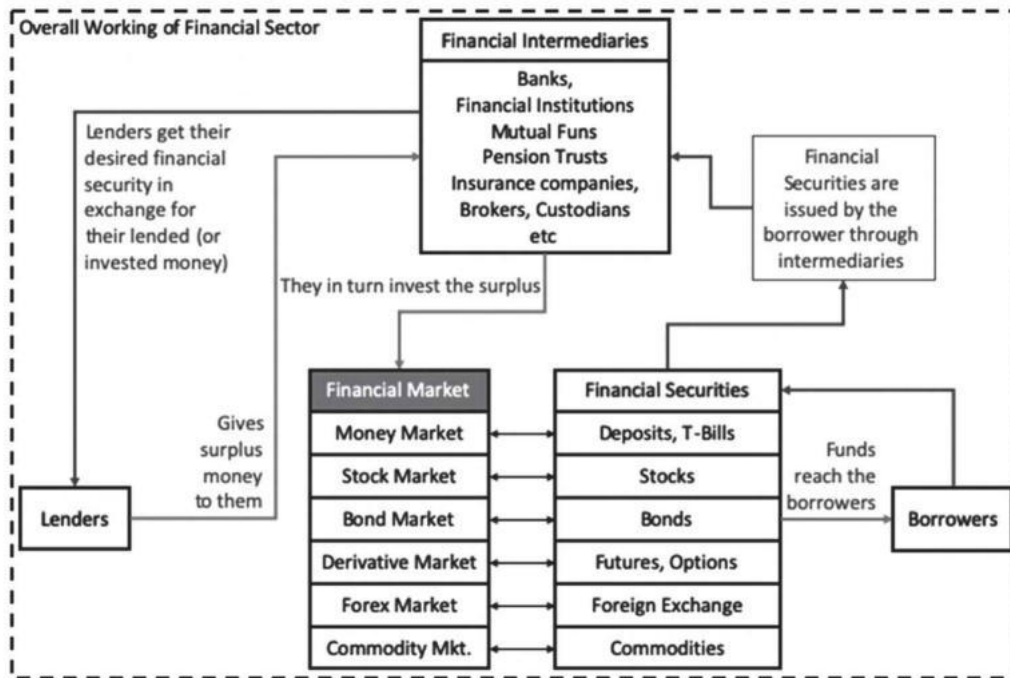
5 CHAPTER

Financial Markets in India

Financial market denotes the **total infrastructure** which facilitates the **trade of financial securities**.

Financial securities can be like **currency, bonds, stocks, derivatives, commodities, forex etc.**

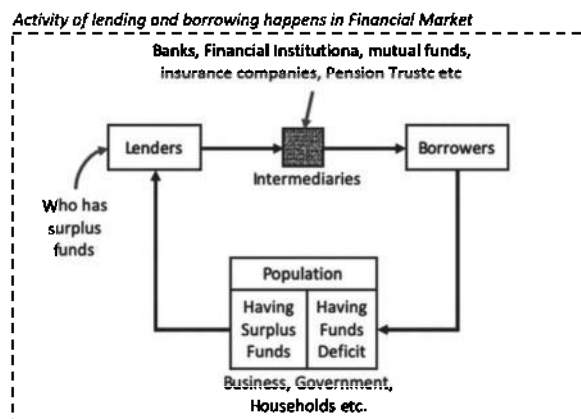
When we buy/sell **stocks**, this trade happens in a financial market. People trading in **forex, derivatives, commodities etc** do so in a financial market. Even our **banks, insurance companies, mutual funds, pension trusts etc** are a **participant** of financial market.



FINANCIAL MARKET

Financial market enables efficient trade of securities, and transfer of funds, between lenders and borrowers. It is the financial market which creates securities for investment. People who have surplus funds invests in these securities to earn return on their investments.

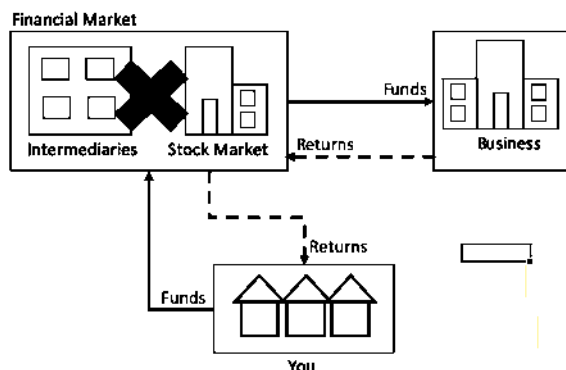
In a financial market, there is an endless activity of lending and borrowing taking place between lenders and borrowers. A typical & simplified representation of financial market is shown below:



- **Lenders:** These are people who have surplus funds. They invest their money in securities available in the financial market. The lenders in a financial market can be the population of an economy (like business, government, households etc).
- **Borrowers:** These are people who are in need of funds. They are in capital deficit. They borrow money from lenders through financial market and market intermediaries. Again, the borrowers in a financial market can be the population of an economy (like business, government, households etc).
- **Market Intermediaries:** These are the agencies who work in an assisting role. They execute the function of fund collection from lenders, and disbursement of capital to borrowers. They also handle financial securities (stocks, mutual fund units, bonds, deposit certificates etc) on behalf of the lender and borrowers. In financial market, intermediaries can be banks, brokers, custodians, depository, depository participant etc. Without intermediaries, financial market cannot run seamlessly and efficiently.

NEED

For a moment, imagine a situation where you are living in an economy which has no financial market.



You are a person who has some surplus money. You would like to invest it for growth. Similarly, there is a business which

needs funds to expand. The business would like to borrow money, and is ready to pay an interest.

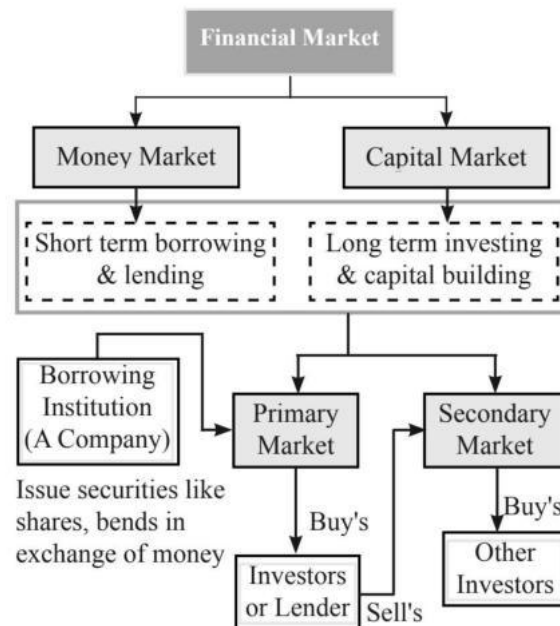
You live in Mumbai and business is located in New Delhi. As there is no financial market, the only way you can invest is by self-searching a worthy borrower. For the business, the situation is same. It can borrow money by only self-search of a good lender.

This kind of market is inefficient. Hence many lenders and borrowers might lose the chance of investing & borrowing. Such markets are not economic-activity friendly.

In presence of an efficient financial market, the same task becomes easy. A financial market becomes a one stop shop for all lenders/investors and borrowers. Hence the market becomes an effective source for capital generation and investment.

STRUCTURE OF INDIAN FINANCIAL MARKET

There are two main types of financial market where majority of trading is happening. The first one is money market and second one is capital market.



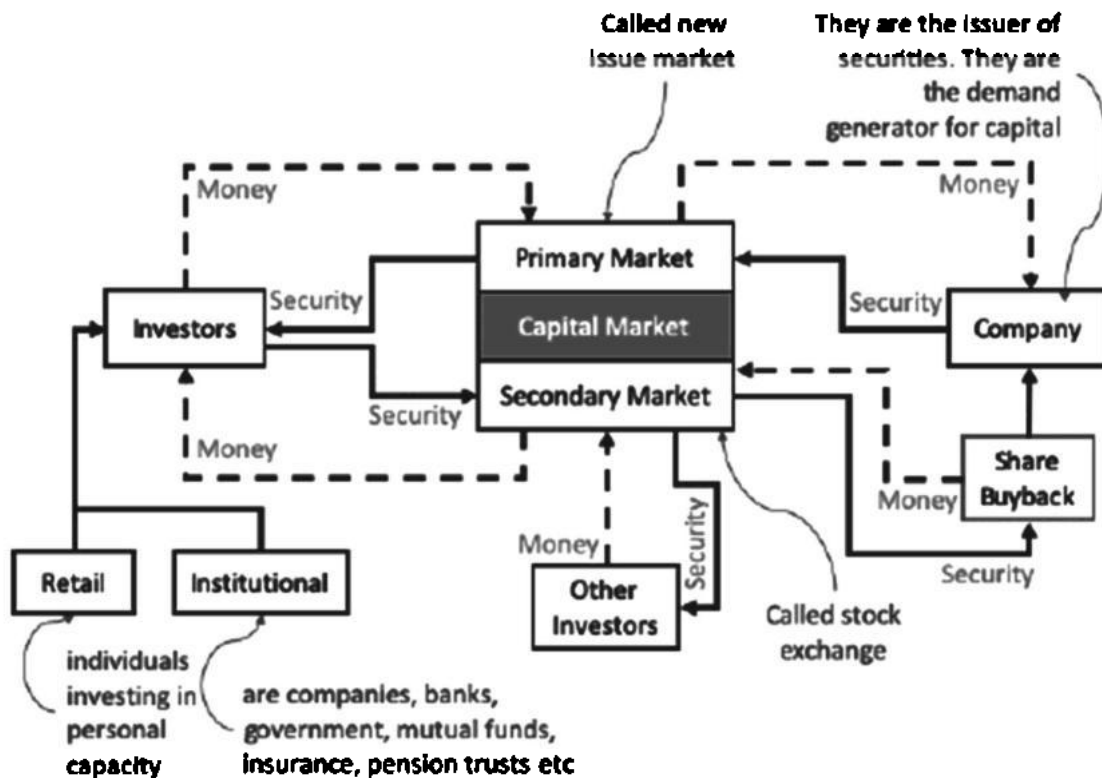
1. MONEY MARKET

1. Money Market: Money market is a type of market which trade in such securities which has a short maturity periods (less than one year). Such securities are often risk free. As their maturity periods are smaller (more liquid), and the risk of loss (volatility) is also smaller, hence their yield is also less. Common men generally invest in money market through *money market mutual funds*.

Securities which trade in money market

are T-Bills, Certificate of Deposits (CD's), Commercial Papers (CP's), Repo etc.

2. Capital Market : On one hand Indian household has small savings. On other other hand corporates need funds to meet their capital requirements. If an Indian household want to invest in business, it can be done through the security market. How? By buying stocks, bonds from the capital market (stock market). Capital market has further two branchings. Read: How to buy bonds.



- (a) **Primary Market:** This market is also called the **new issue market**. Company raise capital here to fund its business activity. In the primary market, companies issue their securities for the first time to public (in form of shares or bonds). It is here where the IPO's are issued by companies.
- (b) **Secondary Market:** Households who've bought the security in primary

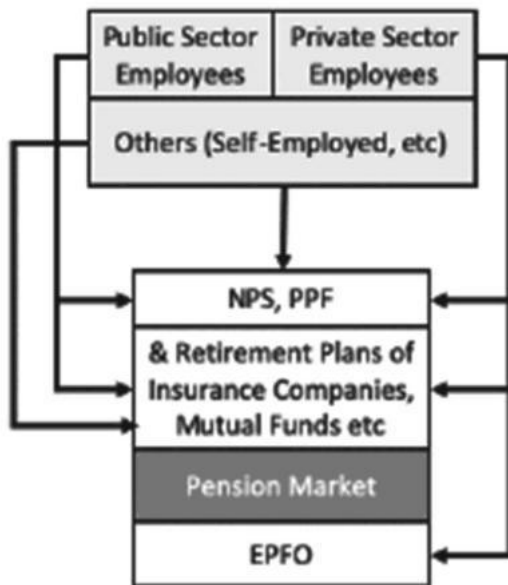
market can **sell (exit)** it in **secondary market**. When we say "**stock exchange**" we are actually referring to the **secondary market**. Here the **already issued securities** are **traded** between **buyers and sellers** independent of the issuers intervention. **If the issuer (company) wants to buyback its shares**, they have to do it in secondary market.

3. Banking System : Banks and financial institution is a part of financial market. The banking system consists of commercial banks, co-operative banks, payment banks, small finance banks etc. All the banks are overall regulated by the Reserve Bank of India (RBI). All types of banks along with RBI makes a banking system.

The primary function of banks is to collect deposits from public (lenders with surplus money), and give credits. The credits are offered in form of loans to individuals, companies etc who need capital. In this role, the bank acts as an intermediary.

While issuing the loans, banks also checks the borrowers credit worthiness. If a borrower is credit worthy, loan will be disbursed.

4. Pension Market :

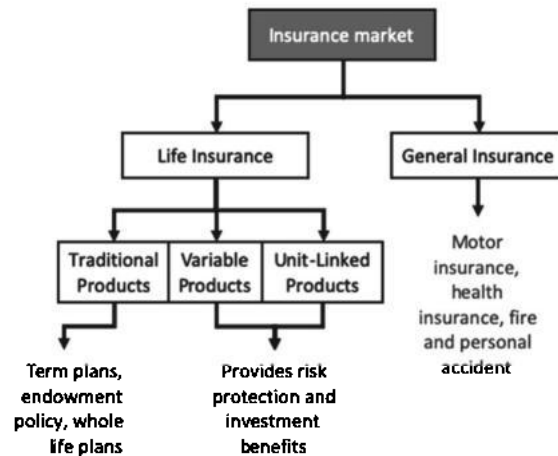


This market caters to the need of elderly. It provides securities tailor made to benefit the elderly population. As on today, still majority of Indian customers do not avail retirement benefits. Pension market aims to include all such people who has still not come under the ambit of retirement benefits.

People who work for government, or are employed by private companies are covered

under NPS, EPF or PPF. But a large majority of self-employed people do not avail the retirement benefits. Pension market aims to include even them here.

5. Insurance Market :



Like pension market, insurance market also has a small penetration in India. People who buy insurance mainly do it to get tax benefits (like life insurance). There are other who buy insurance as it is obligatory (like motor insurance). But insurance market is growing. With rise of financial literacy, and rise in purchasing power of the population, insurance products are selling more these days. Insurance products like medical policies, motor policies, term plans etc are picking demand.

6. Foreign Exchange Market : Forex (Foreign Exchange) Market is an online place where people can trade in currencies. As this market deals with currencies, it is the most liquid market of all. Hence traders and speculators love Forex market.

As exchange rate of currencies vary, people trade between currencies to take advantage of the rate fluctuations. The trade happens in Foreign Exchange Market. Every country has their own Forex market. All such markets are connected online – giving rise to a giant, decentralised global forex market.

Indian law permits forex trading only in currency derivatives. In India, RBI and SEBI strictly controls trading in foreign currencies. Hence, Forex Trading in India is not as popular as stock market or money market.

derivatives is allowed. Currency pairs available for derivative trading are USDINR, EUROINR, GBPINR, JPRINR.

Currency trading is allowed in NSE, BSE and MCI etc exchanges in India. Other exchanges which deals in forex trading are shown below.

But Forex trading still happens in India. As per RBI rules, forex trading through currency

<p>Exchange Name</p> <p>(Stock exchanges where Forex trading takes place in India)</p>	<p>BOMBAY STOCK EXCHANGE LIMITED BSE LTD India International Exchange (BSE) CLEARING CORPORATION INDIA INTERNATIONAL EXCHANGE (IFSC) LIMITED INDIAN CLEARING CORPORATION LIMITED (ICCL) METROPOLITAN CLEARING CORPORATION METROPOLITAN STOCK EXCHANGE NATIONAL STOCK EXCHANGE OF INDIA LIMITED NSCCL NSE Clearing Limited NSE IFSC LIMITED UNITED STOCK EXCHANGE OF INDIA LTD</p>
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To start trading, one must open the accounts with those brokers who have been permitted to trade in currency derivatives.

- Bajaj Financial Securities.
- Bank of India.
- Bank of Baroda.
- ICICI Bank.
- HDFC Bank. etc.

Angel Broking Limited.

- Axis Bank.

7. **Commodity Market** : Commodity trading takes place in the following exchanges in India:

SL	Name	Traded Commodities
1.	MCX : Multi Commodity Exchange	Bullion, metals, fibre, energy, spices, plantations, pulses, petrochemicals, cereals among others
2	ICEX : Indian Commodity Exchange	Gold, silver, diamond, copper, lead, crude oil, natural gas, mustard, soya bean, jute, iron ore.
3	NCDEX : National Commodity and Derivatives Exchange	Cereals, pulses, fibres, oils & oil seeds, spices, gold, silver, steel, copper, crude oil, and brent crude oil among others.
4	NMCE : National Multi Commodity Exchange	Castor seeds, rapeseed, mustard, soya bean, sesame, copra, black pepper, gram, gold, aluminium, rubber, copper, lead, zinc, jute, and coffee among others

REGULATORS

The process of regulating the Indian financial market is a Top Down approach. It starts from the Finance Ministry of India. The head of finance ministry is the Finance Minister. Under the umbrella of Finance Ministry comes the following regulatory bodies:

- **RBI:** Reserve Bank of India (RBI) makes and regulates the Monetary policies, Forex policies, Credit policies, and also regulates all banks. The control of RBI over these policies in turn influences the supply of money & credit in the market. This control in turn influences the interest rates (of deposits, loans etc). **Read: About a flaw in banking system.**
- **SEBI:** The Security and Exchange Board of India (SEBI) is the main regulatory which regulates the primary and secondary market (stock exchange etc).
- **IRDAI:** The Insurance Regulatory and Development Authority of India (IRDAI) regulates the insurance sector of India. It also gives licence to insurance companies. IRDAI also controls the "Tariff Advisory Committee". This committee in turn

decides the price of general insurance products. IRDAI also regulates how the insurance funds should be invested by insurance companies.

- **PFRDA:** The Pension Fund Regulatory and Development Authority (PFRDA) regulates the pension sector of India. It was PFRDA who has designed the structure of pension products like NPS, EPF and PPF. It is PFRDA which has decided the constituents of National Pension System (NPS). PFRDA has the responsibility of registering participants of pension fund like custodians, CRA, trustee bank, fund managers etc.

CONCLUSION

The Indian financial market is structured in a way to promote saving, investment and resource utilisation. Finance ministry of India makes financial policies for the public.

The participants of the financial market implements those policies for the larger good of the public and the economy as a whole. A robust and efficient financial market is not only good for the home country, but it also helps other economies of the world (as all are connected these days).

PAST YEAR MCQs

1. The chief regulator of commodity exchanges in India is
(IBPS Clerk 2013)
 - (a) Securities and Exchange Board of India
 - (b) Reserve Bank of India
 - (c) Competition Commission of India
 - (d) Forward Markets Commission
 - (e) Ministry of Consumer Affairs, Food and Public Distribution.
2. The center has done away with sub-limits for foreign investments in Indian companies. Which of the following will not be considered a foreign investment in an Indian firm?
(SBI PO Main 2017)
 - (a) Foreign Portfolio Investors (FPIs)
 - (b) Qualified Foreign Investors (QFIs)
 - (c) Non-Resident Indians (NRIs)
 - (d) Depository Receipts (DRs)
 - (e) None of these

3. 'FLASHremit' service to offer an instant bank transfer service to the Indians residing in the Gulf nation has been launched by which bank in association with UAE exchange?
(IBPS PO 2015)
- (a) HDFC bank (b) SBI
(c) Axis bank (d) ICICI bank
(e) None of these
4. What is the minimum period for which a fixed deposit can be opened in India?
(IBPS Clerk 2013)
- (a) 3 days (b) 7 days
(c) 15 days (d) 30 days
(e) 60 days
5. Which bank in partnership with First Hive has launched SME Empower?
(IBPS Clerk Main-2020)
- (a) ICICI Bank (b) IDBI Bank
(c) HDFC Bank (d) Yes bank
(e) Axis Bank
6. Which of the following is not a part of Money Market?
(SBI PO Main 2015)
- (a) Treasury Bill
(b) Commercial Papers
(c) Mutual Funds
(d) Certificate of Deposits
(e) None of these
7. Which among the following is the difference in value between a country's imports and exports?
(IBPS PO Main 2016)
- (a) Balance of Trade
(b) Balance of Payment
(c) Balance of power
(d) Credit Balance
(e) None of the above
8. If the rupee depreciates, how the exporters are affected?
(IBPS PO Main 2016)
- (a) They are unaffected
(b) They are in loss
(c) They are in profit
(d) They get credit crunch
(e) None of these
9. India has signed a Grant Agreement for Additional Financing in Financing Energy Efficiency at MSMEs Project- Programmatic Framework for Energy Efficiency with _____.
(IBPS PO Main 2016)
- (a) Asian Development Bank (ADB)
(b) International Fund for Agricultural Development (IFAD)
(c) European Bank for Reconstruction and Development (EBRD)
(d) International Bank for Reconstruction and Development (IBRD)
(e) World Bank
10. In a bid to boost credit growth in the economy, the Centre announced a sum of how much crore for recapitalisation of 13 public sector banks?
(SBI PO Main 2016)
- (a) ₹ 22,915 crore (b) ₹ 27,110 crore
(c) ₹ 10,000 crore (d) ₹ 50,207 crore
(e) ₹ 38,500 crore
11. Which of the following Derivatives Contract gives the buyer/holder of the contract the right (but not the obligation) to buy/sell the underlying asset at a predetermined price within or at end of a specified period?
(IBPS RRB Main 2017)
- (a) Option contracts
(b) Future contracts
(c) Swap contracts
(d) Forward contracts
(e) Hedge contracts
12. The government has applied a 10% surcharge amount on which income group in the budget, 2017-18?
- (a) Where total income exceeds ₹5 lakh up to ₹10 lakh
(b) Where total income exceeds ₹10 lakh up to ₹50 lakh
(c) Where total income exceeds ₹50 lakh up to ₹1 crore
(d) Where the total income exceeds ₹1 crore
(e) None of these
13. Which of the following is not included in National income account?
(IBPS Clerk Main 2017)
- (a) Transfer of payment
(b) Transactions in stock market
(c) Second hand goods
(d) (a) and (c) only
(e) All of the above

14. Which of the following is a **part of Marketing Management?** (SBI Clerk 2015)
- Identification of Business opportunities
 - Understanding the customer needs
 - Producing according to customer needs
 - Delivering as per customer convenience
 - All of the above**
15. Consumer buys _____. (SBI Clerk 2015)
- Goods**
 - Services**
 - Both (a) and (b)**
 - Neither (a) nor (b)
 - None of these
16. Which of the following is **not correct with regard to marketing?** (SBI Clerk 2015)
- Marketing is management function
 - Marketing is a philosophy
 - Marketing is not related to business activity alone
 - Marketing means selling.**
 - Objective of marketing is to achieve customer satisfaction.
17. If a company wants to reach masses of buyers that were **geographically dispersed** at a low cost **per exposure**, which promotional form company would choose? (SBI Clerk 2015)
- Advertising**
 - Personal selling
 - Public relations
 - Sales promotion
 - None of these
18. The process of **evaluating each market segment's attractiveness** and selecting one or more segments to enter is called _____. (SBI Clerk 2015)
- Mass Marketing
 - Market segmentation
 - Market targeting**
 - Market positioning
 - None of these
19. Which strategy calls for using the **sales force and trade promotion to move the product through channels.** (SBI Clerk 2015)
- Push strategy**
 - Pull strategy
 - Blocking strategy
 - Integrated strategy
 - None of these
20. Online marketing is useful for marketing of (SBI Clerk 2015)
- Saving accounts
 - Credit card
 - Home loans
 - NRI deposits**
 - Business accounts
21. Digital marketing is similar to _____. (SBI Clerk 2015)
- Online marketing**
 - Cold calling
 - Web designing
 - Market for cost
 - Outdoor marketing
22. Target group means (SBI Clerk 2015)
- All purchasers
 - All sales persons
 - Targeted purchasers**
 - All consumers
 - Delivery persons
23. Referral means _____. (SBI Clerk 2015)
- Sales person
 - All customers
 - Lead provided by operation staff
 - Calling the existing purchasers**
 - All purchasers
24. Market segmentation means (SBI Clerk 2015)
- Segmentation of sales team
 - Allocation of territory
 - Sales arrangement
 - Segmentation of target group according to their needs**
 - All hospitals

PRACTICE MCQs

1. Which one of the following statements is not correct?
 - (a) The National Association of Securities Dealers Automated Quotations, known as NASDAQ, is an American stock exchange.
 - (b) Nikkei is the stock market of index for the Tokyo Stock Exchange
 - (c) S&P CNX Nifty is the index of 50 large companies on the Bombay Stock Exchange
 - (d) Hang Seng Indexes record daily changes of the largest companies of the Hong Kong Stock Market

2. What is "gilt-edged" market?
 - (a) Gold and silver market
 - (b) Industrial securities market
 - (c) Market for safe (such as government) securities
 - (d) Market for software technology/ service products

3. A rise in "Sensex" means
 - (a) A rise in prices of shares of all companies registered with the Bombay Stock Exchange
 - (b) An overall rise in prices of shares of all companies registered with the National Stock Exchange
 - (c) An overall rise in prices of shares of group of companies registered with the Bombay Stock Exchange
 - (d) A rise in prices of shares of all companies belonging to a group of companies registered with the Bombay Stock Exchange

4. In which year the BSE was established?
 - (a) 1860
 - (b) 1875
 - (c) 1912
 - (d) 1950

5. Which of the following statements is/are correct?
 1. Nifty is based on 50 companies in India

2. Nifty is governed and regulated by the Reserve Bank of India

Select the correct answer using the codes given below:

 - (a) 1 only
 - (b) 2 only
 - (c) Both 1 and 2
 - (d) None of these

6. Consider the following statements about India INX:
 1. India INX is India's first international exchange
 2. India INX is a wholly owned subsidiary of the Bombay Stock Exchange (NSE)

Which of the statements given above is/are correct?

 - (a) 1 only
 - (b) 2 only
 - (c) Both 1 and 2
 - (d) None

7. Which of the following are the core objectives of the Financial Stability and Development Council (FSDC):

Acts as an apex level forum to strengthen and institutionalize the mechanism for maintaining financial stability

Enhance inter-regulatory coordination and promoting financial sector development in the country

Which of the statements given above is/are correct?

 - (a) 1 only
 - (b) 2 only
 - (c) Both 1 and 2
 - (d) None

8. Which of the statements given below is/are correct regarding "bear market"?
 1. It refers to fall in the value of investments
 2. Investors rush to sell stocks instead of buying

Select the correct answer using the codes given below:

 - (a) 1 only
 - (b) 2 only
 - (c) Both 1 and 2
 - (d) None

9. What is the difference between primary and secondary markets?

- 1. Primary markets help in capital formation, while secondary capital provides liquidity to the investor
- 2. Initial public offerings are undertaken in both primary and secondary markets
- 3. Stock exchanges are an example of secondary markets

Select the correct answer using the codes given below:

- (a) 3 only (b) 2 and 3 only
- (c) 1 and 3 only (d) 1, 2 and 3

10. In which year the World Bank issued the first green bond

- (a) 2000 (b) 2008
- (c) 2012 (d) 2018

11. Why venture capital is considered risky in nature?

- 1. The business plan in which venture capitalists invest is usually non-conventional in nature
- 2. Venture capitalists contribute towards a debt of the product
- 3. Venture capitalists contribute money for a long time period

Select the correct answer using the codes given below:

- (a) 3 only (b) 1 and 3 only
- (c) 1 and 2 only (d) 1, 2, and 3

ANSWER KEYS

1.	(c)	2.	(c)	3.	(c)	4.	(b)	5.	(a)
6.	(c)	7.	(c)	8.	(a)	9.	(c)	10.	(b)
11.	(b)								

NABARD (NATIONAL BANK FOR AGRICULTURE AND RURAL DEVELOPMENT)

It was established on the recommendations of **Shivaraman Committee**, on **12 July 1982** to implement the National Bank for Agriculture and Rural Development Act 1981. It replaced the **Agricultural Credit Department (ACD)** and Rural Planning and Credit Cell of Reserve Bank of India, and **Agricultural Refinance and Development Corporation**. It is one of the premier agencies to provide credit in rural areas. NABARD is India's specialized bank for Agriculture and Rural Development in India.

It is an **apex development bank** in India having **headquarters** based in **Mumbai** and other branches are all over the country. The Committee was to **Review Arrangements for Institutional Credit for Agriculture and Rural Development**.

The **initial capital of NABARD** was Rs. **100 crore**. Consequent to the revision in the composition of share capital between Government of India and RBI, the paid up capital as on 31 March 2013, stood at **4000 crore** with **Government of India** holding **3,980 crore (99.50%)** and **Reserve Bank of India** **20.00 crore (0.50%)**. As on 31 March 2014, NABARD paid up capital stood at Rs. **4700 crore**.

Roles of NABARD

1. Serves as an **apex financing agency** for the institutions providing investment and **production credit** for promoting the various developmental activities in rural areas.
2. Takes measures towards institution building for improving **absorptive capacity** of the **credit delivery system**, including monitoring, formulation of rehabilitation schemes, restructuring of credit institutions, **training of personnel** etc.
3. Co-ordinates the rural financing activities of all institutions engaged in developmental work at the field level and **maintains liaison** with Government of India, State governments, Reserve Bank of India (RBI) and other national level institutions concerned with policy formulation.
4. Undertakes monitoring and evaluation of projects refinanced by it.
5. NABARD **refinances** the financial institutions which finances the rural sector.
6. The institutions which help the rural economy, NABARD helps develop.
7. NABARD also keeps a check on its client institutes.
8. It regulates the institution which provides financial help to the rural economy.
9. It **provides training facilities** to the institutions working in the field of rural upliftment.
10. It **regulates the cooperative banks** and the **RRB's**, and manages talent acquisition through **IBPS CWE**.
11. The Reserve Bank of India and NABARD has laid out certain guidelines on 06-07 for the commercial banks, Regional Rural Banks and Cooperative Banks to **provide the data to RBI** and **data regarding loans** given by banks to the microfinance institutions.

NABARD and CSR (Corporate Social Responsibility) : NABARD has been instrumental in grounding rural, social innovations and social enterprises in the rural hinterlands. This Endeavour is perhaps unparalleled in the country, it has in the process partnered with about 4000 partner organizations in grounding many of the interventions be it, SHG-bank Linkage programmed, tree-based tribal communities' livelihoods initiative, watershed approach in soil and water conservation, increasing crop productivity initiatives through lead crop initiative or dissemination of information flow to agrarian communities through Farmer clubs. Despite all this, it pays huge taxes too, to the exchequer figuring in the top 50 tax payers consistently.

NABARD virtually ploughs back all the profits for development spending, in their unending search for solutions and answers. Thus the organization had developed a huge amount of trust capital in its 3 decades of work with rural communities.

IFCI (Industrial finance corporation of india)

It is an Indian government owned development bank to cater to the long-term finance needs of the industrial sector. It was the first Development Financial Institution established by the Indian government after independence. In 1993 it was reconstituted as a company to impart higher degree of operational flexibility. IFCI was allowed to access the capital markets directly.

Functions

1. The main objective of IFCI is to provide medium and long term financial assistance to large scale industrial undertaking, particularly when ordinary bank accommodation does not suit the undertaking or finance cannot be profitably raised by the concerned by the issue of shares.

2. The corporation grants loans and advances to industrial concerns.
3. Granting of loans both in rupees and foreign currencies.
4. The corporation underwrites the issue of stocks, bonds, shares etc.
5. The corporation can grant loans only to public limited companies and co-operatives but not to private limited companies or partnership firms.
6. The loan is granted to any type of industries enlisted in Government gazette.

IDBI (Industrial Development Bank of india)

It was established in 1964 by an Act of Parliament to provide credit and other financial facilities for the development of the fledgling Indian industry. It is a Universal Bank with its operations driven by a cutting edge core Banking IT platform. The Bank offers personalized banking and financial solutions to its clients in the retail and corporate banking arena through its large network of Branches and ATMs, spread across length and breadth of India. We have also set up an overseas branch at Dubai and have plans to open representative offices in various other parts of the Globe, for en-cashing emerging global opportunities. The experience of financial markets will help the customers to effectively cope with challenges and capitalize on the emerging opportunities by participating effectively in our country's growth process. It is currently 10th largest development bank in the world in terms of reach, with 3000 ATMs, 1746 branches, including one overseas branch at Dubai, and 1285 centers, including two overseas centers at Singapore & Beijing.

Functions

- (i) To provide financial assistance to industrial enterprises.
- (ii) To promote institutions engaged in industrial development.

- (iii) To provide technical and administrative assistance for promotion management or expansion of industry.
- (iv) To undertake market and investment research and surveys in connection with development of industry.

SIDBI (Small Industries Development Bank of India)

It is an independent financial institution aimed to aid the growth and development of micro, small and medium-scale enterprises (MSME) in India. Set up on April 2, 1990 through an act of parliament, it was incorporated initially as a wholly owned subsidiary of Industrial Development Bank of India. Currently the ownership is held by 33 Government of India owned or controlled institutions. Besides, it has been playing the development role in several ways such as support to micro-finance institutions for capacity building and on lending. Recently it has opened seven branches christened as Micro Finance branches, aimed especially at dispensing loans up to ₹ 5 lakh. It is the Principal Financial Institution for the Promotion, Financing and Development of the Micro, Small and Medium Enterprise (MSME) sector and for Co-ordination of the functions of the institutions engaged in similar activities.

Functions

1. To initiate steps for technological up-gradation and modernization of existing units.
2. To expand the channels for marketing the products of SSI sector in domestic and international markets.
3. To promote employment oriented industries especially in semi-urban areas to create more employment opportunities and thereby checking migration of people to urban areas.
4. The SIDBI's financial assistance to small-scale industries is channelized through the existing credit delivery system

comprising State Financial Corporation, State Industrial Development Corporations, Commercial Banks, and Regional Rural Banks.

5. The SIDBI introduced two new schemes during 1992-93; equipment finance scheme for providing direct finance to existing well-run small-scale units taking up technology up-gradation modernization, and refinance for resettlement of voluntarily retired workers of the National Textile Corporation (NTC).
6. The other new scheme launched was venture capital fund exclusively for small-scale units, with an initial corpus of ₹ 10 crore. It enrolled itself as an institutional member of the OTC Exchange of India (OTCEI). SIDBI also provides financial support to National Small Industrial Corporation (NSIC) for providing leasing, hire-purchase, and marketing support to the industrial units in the small-sector.

EXIM (Export-Import Bank of India)

It is the premier export finance institution in India, established in 1982 under the Export-Import Bank of India Act 1981. Since its inception, Exim Bank of India has been both a catalyst and a key player in the promotion of cross border trade and investment. Commencing operations as a purveyor or export credit, like other Export Credit Agencies in the world, Exim Bank of India has, over the period, evolved into an institution that plays a major role in partnering Indian industries, particularly the Small and Medium Enterprises, in their globalization efforts, through a wide range of products and services offered at all stages of the business cycle, starting from import of technology and export product development to export production, export marketing, pre-shipment and post-shipment and overseas investment.

Functions

1. To ensure and integrated and coordinated approach in solving the allied problems encountered by exporters in India.
2. To pay specific attention to the exports of capital goods
3. Export projection
4. To facilitate and encourage joint ventures and export of technical services and international and merchant banking
5. To extend buyers' credit and lines of credit
6. To tap domestic and foreign markets for resources for undertaking development and financial activities in the export sector.
7. Planning, promoting and developing exports and imports
8. Providing technical, administrative and managerial assistance for promotion, management and expansion of export sector.
9. Planning, promoting and developing exports and imports
10. Providing technical, administrative and managerial assistance for promotion, management and expansion of exports and
11. Undertaking market and investment surveys and techno-economic studies related to development of exports of goods and services.

ICICI (INDUSTRIAL CREDIT AND INVESTMENT CORPORATION OF INDIA)

It is an Indian multinational banking and financial services company headquartered in Vadodara, Gujarat, India, with its corporate headquarters in Mumbai. It offers a wide range of banking products and financial services for corporate and retail customers through a variety of delivery channels and specialized subsidiaries in the areas of investment banking, life, non-life insurance, venture capital and asset management. ICICI Bank is one of the Big Four banks of India, along with State Bank of India, Punjab

National Bank and Bank of Baroda. The bank has subsidiaries in the United Kingdom and Canada; branches in United States, Singapore, Bahrain, Hong Kong, Sri Lanka, Qatar, Oman, Dubai International Finance Centre and China.

Objectives and Functions

1. To assist in the creation, expansion and modernization at industrial units in the private sector.
2. To encourage the inflow and participation of foreign capital in the private sector industrial units.
3. To expand the investment market in India.
4. To sponsor and underwrite new issues.
5. To provide medium and long-term loans to industrial units in the private sector.
6. To guarantee loans taken from other private sources.
7. To furnish managerial, technical and administrative advice to industrial units by the private sector.
8. To make funds available for reinvestment.
9. To advance loans in foreign currency towards the cost of imported capital equipment's.
10. To extend guarantee for deferred payments.
11. To purchase the shares and debentures of new companies.

National Housing Bank (NHB)

The National Housing Bank (NHB) is a state owned bank. The National Housing Policy, 1988 envisaged the setting up of NHB as the Apex level institution for housing. In pursuance of this, NHB was set up on July 9, 1988 under section 6 of the National Housing Bank Act, 1987 with its head office in New Delhi. It was established to promote private real estate acquisition. The NHB is regulating and re-financing social housing programs and other activities like research etc. Its vision is promoting inclusive expansion with stability in housing finance market. Reserve Bank of India contributed the entire

paid-up capital during that time. The general superintendence, direction and management of the affairs and business of NHB vest, under the Act, in a Board of Directors. During financial year 2017-18, the Finance Act, 2018 amended certain provisions of the National Housing Bank Act, 1987 inter alia, enabling

transfer of share capital of NHB from Reserve Bank to Central Government. With this the NHB is now fully owned by the Government of India. The Government of India announced the establishment of Affordable Housing Fund in NHB.

PAST YEAR MCQs

- Which banks have been designated as Domestic Systemically Important Banks (D-SIBs)? (IBPS PO Main 2015)
 - ICICI & SBI
 - PNB & SBI
 - HDFC & SBI
 - ICICI & PNB
 - None of these
- NABARD (National Bank for Agriculture and Rural Development) established JLG to extract the productive capability from rural population. JLG stands for? (SBI PO Main 2015)
 - Junior Link Group
 - Join Life Group
 - Joint Line Group
 - Joint Liability Group
 - None of these
- Which of the following agencies/institutions report asked the income tax department to ensure that a single tax payer is not issued multiple PAN cards because gap between PAN holders and the number of returns filed was 617.1 lakh? (IBPS PO Main 2016)
 - IRDA
 - SEBI
 - RBI
 - Comptroller and Auditor General
 - None of these
- Name the department that was set up by Union Finance Ministry to streamline government borrowings and better cash management with the overall objective of deepening bond markets. (SBI PO Main 2016)
 - Debt Management Cell
 - Department of Debt Management
 - Cell for management of debt
 - All of the above
 - None of these
- Antidumping duty is applied on issuance of notice from which ministry? (IBPS Clerk Main 2017)
 - Ministry of External Affairs
 - Ministry of Home Affairs
 - Ministry of Statistics and Programme Implementation
 - Ministry of Commerce & Industry
 - Ministry of Defence
- Receivables Exchange of India Ltd (RXIL) was incorporated on 25th February 2016 as a joint venture between- (SBI PO Main-2019)
 - ASSOCHAM
 - RBI
 - NABARD
 - SIDBI
 - FICCI
- LIC has how much crore in unclaimed money? (SBI Clerk Main-2019)
 - ₹96,000 crores
 - ₹10,000 crores
 - ₹10,500 crores
 - ₹11,200 crores
 - ₹11,500 crores

ANSWER KEYS

1.	(a)	2.	(d)	3.	(d)	4.	(a)	5.	(c)
6.	(d)	7.	(c)						

PRACTICE MCQs

- The industrial Finance Corporation of India provides loans to
 - government companies only which are in core sector (i.e., power generation, steel, coal and cement, etc)
 - newly established industries in backward districts
 - industries in private sector
 - joint stock companies and cooperative societies engaged in the manufacturing and processing of goods
 - None of the above
- Where is the headquarter of SIDBI?
 - Varanasi
 - Lucknow
 - New Delhi
 - Kolkata
 - Mumbai
- Board for Financial Supervision (BFS) constituted in 1994 by RBI to undertake consolidated supervision of
 - commercial banks
 - financial institutions
 - non-banking finance companies
 - All of the above
 - None of these
- Which of the following mobilise (s) the savings of the public to specifically invest in the industrial securities?
 - UTI
 - LIC
 - GIC
 - All of these
 - None of these
- Mutual funds fall within supervisory purview of
 - SBI
 - RBI
 - SEBI
 - IRDA
 - None of these
- The main objective(s) of National Housing Bank is/are
 - to promote and develop specialised housing finance institutions for mobilisation of resources and extending finance for housing activities
 - to extend refinance facilities to housing finance institutions and to scheduled banks
 - to provide guarantee and underwriting facilities of housing finance institutions
 - All of the above
 - None of these
- Which is the principal institution for promotion, financing and development of small scale industries in the country?
 - RBI
 - SBI
 - IDBI
 - SIDBI
 - None of these
- Which of the following acts regulates underwriting of issues for merchant banking activities?
 - Negotiable Instrument Act, 1881

- (b) Banking Regulation (Companies) Rules, 1949
- (c) Section 19(2) & (3) of the Banking Regulation Act, 1949
- (d) Factoring Act Rules, 2011
- (e) None of these
9. Money Market Mutual Funds (MMMFs) are regulated by
- (a) RBI
- (b) SEBI
- (c) All India Financial Institutions
- (d) All of the above
- (e) None of these
10. The apex body which deals with refinance for agriculture and rural development in India is:
- (a) NABARD
- (b) SEBI
- (c) SIDBI
- (d) IDBI

ANSWER KEYS

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

7

CHAPTER

NBFCs in India

NBFC (NON-BANKING FINANCIAL COMPANY)

NBFCs engaged in the business of loans and advances, acquisition of bonds/debentures/securities issued by Government or local authority or other marketable securities, leasing, hire-purchase, insurance business, chit business. It does not include any institution whose principal business is that of agriculture activity, industrial activity, purchase or sale of any goods or providing any services and sale or purchase of immovable property.

REQUIREMENTS FOR REGISTRATION OF NBFCs

It should be a company registered under the Companies Act, 1956 and desirous of commencing business of non-banking financial institution as defined under Section 45 1(a) of the RBI Act, 1934 and should have a minimum net owned fund of ₹ 200 lakh.

Difference between Banks & NBFCs

- 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.

There is no Ombudsman for hearing complaints against NBFCs. In respect of credit card operations of an NBFC, which is a subsidiary of a bank if a complainant does not get satisfactory response from the NBFC

within a maximum period of thirty 30 days from the date of lodging the complaint, the customer will have the option to approach the Office of the concerned Banking Ombudsman for redressal of his grievances.

Types of NBFCs

- I. **Asset Finance Company:** Company which is a financial institution carrying on as its principal business the financing of physical assets supporting productive/economic activity. 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.
- II. **Investment Company:** Company which is a financial institution carrying on as its principal business the acquisition of securities.
- III. **Loan Company:** 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.
- IV. **Infrastructure Finance Company:** NBFC which deploys at least 75% of its total assets in infrastructure loans and has a minimum Net Owned Funds of ₹ 300 crore, and has a minimum credit rating of 'A' or equivalent with a CRAR of 15%.

- V. **Systemically Important Core Investment Company:** NBFC with asset size of **100 crore or above** accepting public funds and involved in the business of acquisition of shares and securities 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 (including instruments compulsorily convertible into equity shares within a period not exceeding **10 years from the date of issue**) 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 and it does not carry on any other financial activity referred to in **Section 45 1(c) and 45 1(f) of the RBI act, 1934** 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.
- VI. **Infrastructure Debt Fund:** NBFC registered to facilitate the flow of long term debt into infrastructure projects and raise resources through issue of **Rupee or Dollar denominated bonds of minimum 5 year maturity and sponsored through Infrastructure Finance Companies.**
- VII. **NBFC-MFI:** It is non-deposit NBFC having not less than **85% of its assets in the nature of qualifying assets** which satisfy various criteria that include loan amount does not exceed ₹ 50,000 in the first cycle and ₹ 1,00,000 in subsequent cycles.
- VIII. **NBFC-Factors:** It is a non-deposit NBFC engaged in the principal business of factoring and the financial assets in the factoring business should constitute at least 50% of its total assets.
- IX. **Mortgage Guarantee Companies-** Financial institutions with 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 ₹ 100 crore.**
- X. **NBFC-NOFHC-** Financial institution through which **promoters** will be **permitted to set up a new bank.**

PAST YEAR MCQs

1. CIBIL score is used by banks and NBFCs to ascertain your credit worthiness and the likelihood of you repaying your loan on time. How many digit numbers are there in CIBIL Score?
(IBPS PO Main-2019)
- (a) 1 digit number
(b) 2 digit number
(c) 5 digit number
(d) 3 digit number
(e) 4 digit number
2. The government has decided to increase the foreign direct investment (FDI) limit in private banks from the existing **74% to**
(IBPS PO Main 2016)
- (a) 90%
(b) 100%
(c) 95%
(d) 80%
(e) None of these

ANSWER KEYS

1.	(d)	2.	(e)								
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PRACTICE MCQs

1. Which agency regulates and supervises NBFCs?
 - (a) Finance Ministry
 - (b) SEBI
 - (c) **RBI**
 - (d) Respective state government
2. Under NBFC– Peer to Peer Lending Platform Directions, 2017 by RBI, what is the aggregate exposure limit of a single lender to all borrowers at any point of time, across all P2Ps?
 - (a) Rs 1 lakh
 - (b) Rs 2 lakh
 - (c) **Rs 10 lakh**
 - (d) Rs 15 lakh
3. How much percent of foreign investment is allowed for NBFC?
 - (a) 25%
 - (b) 50%
 - (c) 75%
 - (d) **100%**
4. Under NBFC– Peer to Peer Lending Platform Directions, 2017 by RBI, what is the aggregate loan limit of a single borrower at any point of time, across all P2Ps?
 - (a) **Rs 10 lakh**
 - (b) Rs 15 lakh
 - (c) Rs 20 lakh
 - (d) Rs 50 lakh
5. Which among the following does not have Ombudsman office for NBFC?
 - (a) Kolkata
 - (b) **Hyderabad**
 - (c) Chennai
 - (d) New Delhi
6. Under the Ombudsman scheme for NBFC, who is the appellate authority for handling the complaints?
 - (a) Chief General Manager, RBI
 - (b) **Deputy Governor**
7. Which among the following NBFC are not excluded from the Ombudsman scheme for NBFC?
 - (a) **Deposit accepting NBFCs**
 - (b) NBFC-IFC
 - (c) Core Investment Company (CIC)
 - (d) IDf-NBFC
8. Consider the following statements
 1. **Chit Funds are type of NBFC**
 2. All NBFCs are ruled by RBI
 3. **RBI said any purchase of a stake of 26% or more in a company, or a change in more than 30% of its directors, would need the central bank's permission.**
 Which of the above statements is/are correct?
 - (a) 1,2
 - (b) 2,3
 - (c) **1,3**
 - (d) All
9. What is the maximum amount of award that can be passed by Ombudsman for NBFC?
 - (a) Rs 20 lakh
 - (b) Rs 15 lakh
 - (c) **Rs 10 lakh**
 - (d) Rs 5 lakh
10. The financial assets in the NBFC factoring business should constitute what percent of its total assets?
 - (a) 15%
 - (b) 20%
 - (c) 50%
 - (d) **75%**

ANSWER KEYS

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

8 CHAPTER

All about the Basel Norms

BASEL NORMS

Basel is a city in Switzerland which is also the headquarters of Bureau of International Settlement (BIS). BIS fosters co-operation among central banks with a common goal of financial stability and common standards of banking regulations. Currently there are 27 member nations in the committee.

Basel guidelines refer to broad supervisory standards formulated by this group of central banks- called the Basel Committee on Banking Supervision (BCBS). The set of agreement by the BCBS, which mainly focuses on risks to banks and the financial system are called Basel accord. The purpose of the accord is to ensure that financial institutions have enough capital on account to meet obligations and absorb unexpected losses. India has accepted Basel accords for the banking system.

Basel I

In 1988, BCBS introduced capital measurement system called Basel capital accord, also called as Basel 1. It focused almost entirely on credit risk. It defined capital and structure of risk weights for banks. Naturally if the capital with the banks is adequate to cover the risks (e.g. a power plant) they have invested in, then the bank is safe.

The minimum capital requirement was fixed at 8% of risk weighted assets (RWA). RWA means assets with different risk profiles. For example, an asset backed by collateral would carry lesser risks as compared to personal loans, which have no collateral. India adopted Basel 1 guidelines in 1999. The

Basel norms are set up by the Basel committee on banking supervision.

It is important to understand that the Basel accords have been the result of cooperation by the countries over the years.

Basel II

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

1. Banks should maintain a minimum capital adequacy requirement of 8% of risk assets; In India, such a practice is equivalent to maintaining a Capital Adequacy ratio (CAR).
2. Banks were needed to develop and use better risk management techniques in monitoring and managing all the three types of risks that is credit and increased disclosure requirements; increased disclosure requirements raise the confidence of investors and depositors in the bank. The more transparent a bank is the more stable it is deemed to be.
3. Banks need to mandatorily disclose their risk exposure, etc to the central bank; this is important so that the central bank (RBI in India) is aware of the risks that the banking system is going through.

There is a practice in India to publish bi-annual Financial Stability reports by the RBI. The latest report published recently is of June 2014.

CAR

Basel II norms in India and overseas are yet to be fully implemented.

Basel III

In 2010, Basel III guidelines were released. These guidelines were introduced in response to the financial crisis of 2008.

A need was felt to further strengthen the system as banks in the developed economies were under-capitalized, over-leveraged and had a greater reliance on short-term funding. Too much short-term funding makes the banks prone to risks. Banks generally rely on short-term funding because it is profitable.

Also the quantity and quality of capital under Basel II were deemed insufficient to contain any further risk. This was because the banking system was growing. The world economy was growing too. Hence, what is sufficient earlier was not sufficient now.

Basel III norms aim at making most banking activities such as their trading book activities more capital-intensive. The guidelines aim to promote a more resilient banking system by focusing on four vital banking parameters viz. capital, leverage, funding and liquidity.

Capital

The capital requirement (as weighed for risky assets) for Banks was more than doubled. (E.g. 4.5% from 2% in Basel-II accord for common equity)

Leverage

Leverage basically means buying assets with borrowed money to multiply the gain. The underlying belief is that the asset will return the investor more than the interest he has to pay on the loan.

Obviously doing so is risky business. Thus the Basel III puts a limit on the banks for

doing this. The numbers are not important here. Getting the concept is important.

Funding and liquidity

Banks can be subjected to a lot of risk if all depositors come and ask all their money at the same time. This is a hypothetical situation but it has happened in real with Lehman Brothers – the bank whose collapse gave us the 2008 recession.

So, Basel III puts a requirement for the banks to maintain some liquid assets all the time. Liquid assets are those which can be easily converted to cash.

In India, this practice can be correlated with that of maintaining CRR and SLR.

Implementation of Basel III norms in India

The RBI has earlier postponed the implementation of these norms to 2019, and now till 2023.

It is important to note that it is not easy to implement these norms as it requires several changes in the present banking system.

There are several challenges in the successful implementation of Basel III norms.

1. **Higher capital requirement for banks** – The private banks have the autonomy to raise capital from the markets. But the Public sector banks have to rely on the government mostly. The government has recently decided to infuse 12000 Cr. rupees in the PSBs. In the coming years even more will be required.
2. **More technology deployment** – Implementing the norms would require much more sophisticated technology and management styles that the Indian banks are presently using. Upgrading both will impose

huge cost on the banks and hurt their profitability in the coming years.

3. **Liquidity crunch** – Banks would need to invest more on liquid assets. These assets do not give handsome returns usually which would reduce the bank's operating profit margin. Further higher deployment of more funds in liquid assets may crowd out good private sector investments and also affect economic growth.

Deferrment of Basel-III Norms to 2023

In view of the **coronavirus pandemic**, the implementation of Basel-III norms for banking services has **been deferred by a year till January 1, 2023**. Among other steps, the Basel Committee's oversight body, the Group of Central Bank Governors and Heads

of Supervision (GHOS), has decided on deferring the implementation of the norms which were scheduled to come into effect from January 1, 2022.

According to the **BIS** statement the implementation date of the basel III standards finalised in December 2017 has been deferred by **one year to January 1, 2023**. The accompanying transitional arrangements for the output floor has also been extended by one year to **January 1, 2028**.

Further, the implementation of the revised market risk framework and the revised pillar-3 disclosure requirements have **also been deferred by one year to January 1, 2023**.

These standards were finalised with the objective of complementing the initial set of Basel III standards.

PRACTICE MCQs

- The first Basel Concordat was concerned with
 - The possibility that third world countries might renege on their debts
 - The division of responsibilities among national supervisory authorities**
 - The capital adequacy of banks
 - The off-balance-sheet activities of banks
 - None of these
- Which of the following is/are to be followed by Commercial Banks for risk management?
 - Basel II norms**
 - Basel III norms
 - Basel I norms
 - Solvency II norms
 - None of these
- 'Basel Committee on Banking Supervision' is also known as
 - Bank for International Settlements Committee**
 - Banking Regulation Committee
 - Financial Stability Board
 - Global Financial System
 - None of these
- What is the full form of BCBS?
 - Basel Committee on Banking Supervision
 - Basel Committee on Bureau Success
 - Basel Committee on Bureau Supervision**
 - Basel Committee on Banking Society
- Basel III capital regulations were released by Basel Committee on Banking Supervision (BCBS) as a Global Regulatory Framework for more resilient banks and banking systems on _____
 - December 2010**
 - March 2011
 - December 2011
 - December 2012

6. Basel I Mainly Focuses on which of the following risks?
- (a) Credit Risk , Capital requirements and Structure of risk weights.
 (b) Operational Risk, Capital requirements
 (c) Credit Risk, RWA
 (d) Credit Risk, non Risk weight assets
7. Basel III capital regulations are based on 3 mutually reinforcing pillar. These pillars are
- I. Minimum Capital Standards
 II. Supervisory Review of Capital Adequacy
 III. Risk Management
- (a) Only I & II (b) Only I & III
 (c) Only II & III (d) All are correct
8. As per the Basel III implementation in India, minimum Tier 1 capital must be _____ % of risk weighted assets on ongoing basis
- (a) 5.5% (b) 7%
 (c) 9% (d) 11%
9. The net stable funding ratio (NSFR) under Basel-III was implemented in India from _____
- (a) January 1, 2017 (b) April 1 ,2017
 (c) January 1, 2018 (d) April 1 ,2018
10. As per Basel III, the risk of losses in on-balance sheet and off-balance sheet positions arising from movements in market prices is called _____
- (a) Credit Risk (b) Market Risk
 (c) Pricing Risk (d) Liquidity Risk
11. From which date the RBI implemented the Basel-III recommendations in India?
- (a) January 1, 2013 (b) March 31, 2014
 (c) April 1, 2013 (d) September 30, 2014
12. The banks are expected to maintain a leverage ratio in excess ofunder Basel III.
- (a) 1% (b) 3%
 (c) 5% (d) 6%

ANSWER KEYS

1.	(b)	2.	(a)	3.	(a)	4.	(c)	5.	(a)
6.	(a)	7.	(a)	8.	(b)	9.	(c)	10.	(b)
11.	(c)	12.	(b)						

9 CHAPTER

Important Committees in Banking Sector

Committee		Objective
K C Chakrabarthy	Committee	Rehabilitation of Sick industries
V G Kannan	Committee	Issue of ATM charges and to improve rural penetration of teller machines.
A R Dave	Committee	Reforms in the pension sector.
A C Shah	Committee	Non-Banking Financial Companies (NBFCs) Reforms
A Ghosh	Committee	Frauds & Malpractices In India
Nandan Nilekani	Committee	Measures to strengthen the safety and security of digital payments
A K Khandelwal	Committee	HR Issues Of Public Sector Banks
Abid Hussain	Committee	For Small Scale Industries
Aditya Puri	Committee	For Dissemination Of Credit Information
Ajay Shankar	Committee	Review The Functioning Of PPP Cell
Ak Bhuchar	Committee	Coordination Between term lending Institutions & Commercial Banks
Amitabh Chaudhry	Committee	Analysis the existing framework Of IRDA-Linked & Non-Linked Insurance Product Regulations
S S Johl	Committee	Assistance to distressed farmers
Balakrishna Eradi	Committee	Insolvency Law
Arvind Mayaram	Committee	For Giving Clear Definitions to FDI & FII
Bhandari	Committee	For Reconstruction Of RRBs
Bhide	Committee	Coordination Between Commercial Banks & SFC's
Bimal Jalan	Committee	To Scrutinize Applications For New Bank Licenses
B. D. Shah	Committee	Stock Lending Scheme
B Sambamurthy	Committee	For Mobile Banking
B Siaraman	Committee	Institutional Credit for Agricultural & Rural development
C Rangarajan	Committee	For Poverty Scale Estimates In The Country
Chelliah	Committee	For Tax Reforms
Chesi	Committee	For Direct Taxes
Cook	Committee	For Capital Adequacy of Banks

Committee		Objective
Y B Damle	Committee	Introducing of MICR/OCR Technology for Cheque Processing
Damodaran	Committee	For Improvement Of Customer Services In Banks
Dave	Committee	For Pension Scheme For Unorganized Sector
Deepak Mohanty	Committee	Data & Information Management In The Rbi
Deepak Parekh	Committee	For Financing Infrastructure Sector
Dinesh Sharma	Committee	To Propose New Regulation Related To Digital/Virtual Currencies
D. K. Mittal	Committee	To Improve Financial Condition Of Railways
D. R. Gadgil	Committee	Agricultural Finance
Godwala	Committee	Rural Finance
Hathi	Committee	For Soiled Bank Notes
J Reddy	Committee	Reforms in Insurance Sector
James Raj	Committee	Functioning Of Public Sector Banks
Janakiraman	Committee	To Investigate the Security Transactions Of The Bank
Justice M B Shah	Committee	Commission On Black Money
Karve	Committee	For Small Scale Industry
K M Chandrasekhar	Committee	For Rationalization Of Foreign Investment Norms
K Madhav Das	Committee	Urban Cooperative Banks
P J Nayak	Committee	Governance Of Boards Of Bank In India
Parthasarathi Shome	Committee	Guidelines for General Anti Avoidance Rules (GAAR)
K S Shere	Committee	For proposing Legislation On Electronic Funds Transfer (EFT) & other Electronic Payments
K.U.B. Rao	Committee	For Setting up Bullion Corporation Of India
H R Khan	Committee	To Evaluate Unclaimed PPP & Post Office Saving
I.T. Vaz	Committee	Working Capital Finance In Banks
K.V.Kamath Panel	Committee	To Examine the financial architecture For MSMEs
Kelkar	Committee	For tax Structure reforms
Paneer Selvam	Committee	Non -Performins Assets (NPA)
Khandelwal	Committee	HR Issues of Public Sector Banks
Khusrau	Committee	Agricultural Credit
Lakdawala	Committee	Poverty Line
L K Jha	Committee	Indirect Taxation Enquiry
Marathe	Committee	Licensing of New Banks
MBN Rao	Committee	To Prepare The Blueprint Of India's First Women's Bank
M J Ferwani	Committee	Stock Exchange

Committee		Objective
M L Dhantwala	Committee	Regional Rural Banks
M.S. Ahluwalia	Committee	Employment Opportunities
Narasimham	Committee	Banking Sector Reforms
N Rangachary	Committee	To Examine Taxation Policies For IT Sector
N. K Singh	Committee	To Review The Fiscal Responsibility & Budget Management Act
Nachiket Mor	Committee	Comprehensive Financial Services For Small Businesses & Low-Income Households
Narasimham	Committee	For Banking Sector Reforms
Naresh Chandra	Committee	For 14 Member Task Force On Security Issues
Pillai	Committee	For Pay Scales of Bank Officers
P Selvam	Committee	For Non Performing Assets (NPA)
Pulak Kumar Sinha	Committee	To Study The Feasibility Of Aadhaar As An Additional Factor
R. V. Easwar	Committee	Simplify Income Tax Act, 1961
R. V. Gupta	Committee	For Small Savings
R. Jilani	Committee	Inspection System In Banks
R.H. Khan	Committee	Harmonization Of Role Of Financial Institution In Banks
Thakkar	Committee	For Credit Schemes to Self Employed
Thingalaya	Committee	Restructuring of RRB
UK Sharma	Committee	NABARD's Role In RRB
R.K. Hajara	Committee	Differential Interest Rates Scheme
Raghuram Rajan	Committee	For Financial Sector Reforms
Raja Mannar	Committee	For Changes in Banking laws, bouncing of cheques,
Rakesh Mohan	Committee	Small Savings
Rashid Jilani	Committee	Cash Credit System
Rattan P Watal	Committee	To Boost Digital Payment System In India
Rekhi	Committee	For Indirect Taxes
R.N. Malhotra	Committee	Reforms in Insurance Sector
R.S. Gujral	Committee	To Suggest Measures To Boost MSME Exports
S.P. Talwar	Committee	For Restructuring Of Weak Public Sector Bank
Shyamala Gopinath	Committee	For Suggestions On Post Office Small Saving Schemes
Tandon	Committee	Follow Up For Bank Credit
Urjit Patel	Committee	To Examine The Current Monetary Policy Framework
S.N. Verma	Committee	For Restructuring The Commercial Banks
S.S. Nadkarni	Committee	Trading In Public Sector Banks

Committee	Objective
Sodhani Committee	Foreign Exchange Markets in NRI Investment in India
Sudharshan Sen Committee	To Study Regulatory Issues Relating to Financial Technology & Digital Banking
Sukhamoy Chakravarty Committee	On Monetary Policy
Suma Verma Committee	To Update, & Revise The Banking Ombudsman Scheme, 2006
Tambe Committee	For Term Loans to SSI
Usha Thorat Committee	Financial Sector Plan for NER
Vaghul Committee	For Money Market In India
Vipin Malik Committee	Consolidated Accounting By Banks
Vyas Committee	Rural Credit
Wanchoo Committee	For Direct Taxes Enquiry
W.S. Saraf Committee	Technology issues in Banking Industry
YV Reddy Committee	Reforms in Small Savings
B Mahaptara Committee	Restructuring of advances

PAST YEAR MCQs

- The Concept of 'Universal Banking' was implemented in India on the recommendations of: (SBI PO Main 2015)
 - Abid Hussain Committee
 - R H Khan Committee
 - S Padmanabhan Committee
 - YH Malegam Committee
 - None of these
- The first-ever niche banking license award process will start soon as the external advisory committee headed by _____ has given its report to the RBI in this regard. (SBI PO Main 2017)
 - Bimal Jalan
 - Nachiket Mor
 - R Gandhi
 - Urjit Patel
 - None of these
- Which of the following is not correct regarding FSLRC ? (IBPS RRB Main 2017)
 - It reviews, simplifies and rewrites the legislations affecting the financial markets in India
 - It evolves a common set of principles for governance of financial sector regulatory institutions
 - It streamlines the regulatory architecture of financial markets
 - It was formed in 2013
 - None of these
- U K Sinha committee was constituted for? (IBPS RRB Clerk Main-2019)
 - RBI panel on NPA reforms
 - RBI panel on Rural Banks reforms
 - RBI panel on Payment Banks reforms
 - RBI panel on MSME reforms
 - None of these

5. RBI has formed a committee to review regulatory guidelines and supervisory framework applicable to **core investment companies (CICs)**. This committee is headed by- (SBI Clerk Main-2019)
- (a) Bimal Jalan
 (b) Smt. Usha Thorat
 (c) **Tapan Ray**
 (d) Shri T. N. Manoharan
 (e) None of these
6. The **11-member committee**, headed by former Finance Secretary **Ratan P Watal** is related with which among the following committee?
 (SBI PO Main 2016)
- (a) **Incentivise transactions through cards and digital**
 (b) One Rank One Pension
 (c) Indo-Pakistani war and Simla Agreement
 (d) Financial inclusion or inclusive financing
 (e) None of these

ANSWER KEYS

1.	(b)	2.	(b)	3.	(d)	4.	(d)	5.	(c)
6.	(a)								

PRACTICE MCQs

1. Which of the following is not a recommendation of the Narasimham Committee, 1991?
- (a) Reduction of CRR and SLR
 (b) Phasing out directed Credit Programme
 (c) **Reduction of capital adequacy ratio**
 (d) Establishment of ARF fund
 (e) Autonomy to public sector bank
2. On the recommendations of which of the following committees Regional Rural Banks (RRB) were established?
- (a) Tarpore Committee
 (b) **Narasimham Committee**
 (c) Karmakar Committee
 (d) Kelker Committee
 (e) Jha Committee
3. Which of the following committees recommended the formation of **Debt Recovery Tribunals**?
- (a) **Narasimham Committee**
 (b) A C Shah Committee
 (c) Abid Hussain Committee
 (d) Adhyarjina Committee
 (e) None of these
4. Which among the following committees had recommended **Income Recognition and assets classification norms**?
- (a) Rangarajan committee
 (b) Goiporia committee
 (c) **Narasimhan committee;**
 (d) Jankiraman committee
 (e) None of these
5. Khan Commission was set up in 2004 to
- (a) review monetary policy
 (b) introduce loan schemes
 (c) **prepare report on financial inclusion**
 (d) review the financial status of public sector banks
 (e) None of these

6. Committee on Financial Inclusion headed by Dr C Rangarajan was set up in
 (a) 2004 (b) 2006
 (c) 2009 (d) 2002
 (e) None of these
7. Which of the following committees suggested initiatives on Medium-term Path on Financial Inclusion?
 (a) R. Gandhi Committee
 (b) Deepak Mohanty Committee
 (c) Usha Thorat Committee
 (d) Nachiket Mor Committee
 (e) None of these
8. According to Nachiket Mor Committee, every adult should have bank account by
 (a) 2016 (b) 2017
 (c) 2018 (d) 2020
 (e) None of these
9. NABARD was established on the recommendations of
 (a) Shivaraman Committee
 (b) Malhotra Committee
 (c) Kumarmangalam Committee
 (d) None of the Above
10. Which of the following statements is/ are correct about Tarun Ramadorai Committee?
 i. It was set up to study various facets of household finance in India.
 ii. It will evaluate households' demands in financial markets for assets such as pensions as well as liabilities.
 (a) (i) only
 (b) (ii) only
 (c) Both (i) and (ii)
 (d) None of the above
11. Which of the following committees was formed to review the governance of Board of Banks in India?
 (a) P J Nayak committee
 (b) A. C. Gosh Committee
 (c) B. Eradi Committee
 (d) Abid Hussain Committee
12. Who was given the charge of the task force set up by the RBI on 14 November 2016 to oversee the recalibration of ATM machines as the government introduced new ₹ 500 and ₹ 2,000 notes?
 (a) BP Kanungo
 (b) S.S. Mundra
 (c) Urjit Patel
 (d) Viral Acharya
13. Who was appointed the first head of India INX, India's first international exchange?
 (a) V. Balasubramanian
 (b) Ashish Chauhan
 (c) J. Ravichandran
 (d) Amit Santra
14. The concept of Universal Banking was implemented in India after the recommendations of
 (a) R.H. Khan Committee
 (b) Dutta Committee
 (c) P. Selvam Committee
 (d) None of the above
15. Which committee has recommended the setting up of Special Tribunals to reduce the time required for settling cases?
 (a) Kelkar committee
 (b) Justice Reddy committee
 (c) Rangarajan Committee
 (d) Narasimham Committee

ANSWER KEYS

1.	(c)	2.	(b)	3.	(a)	4.	(c)	5.	(c)
6.	(b)	7.	(b)	8.	(a)	9.	(a)	10.	(c)
11.	(a)	12.	(b)	13.	(a)	14.	(a)	15.	(d)

Micro Units Development and Refinance Agency Bank or MUDRA Bank is a public sector financial institution in India. It provides loans at low rates to micro-finance institutions and non-banking financial institutions which then provide credit to MSMEs.

FORMATION

The formation of the agency was initially announced in the Union budget FY 2015-16 of India in February 2015. 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. It was formally launched on 08 April 2015.

ROLES

MUDRA has been formed with primary objective of developing the micro enterprise sector in the country by extending various supports including financial support in the form of refinance, so as to achieve the goal of funding the unfunded. Subsequently GOI has also decided that MUDRA 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. Accordingly MUDRA has been carrying out these functions over the last one year.

Pradhan Mantri Mudra Yojana (PMMY)

FUNCTIONS

The MUDRA banks were set up under the Pradhan Mantri MUDRA Yojana (PMMY) scheme. It provides its services to small entrepreneurs outside the service area of regular banks, by using last mile agents. About 5.77 crore (57.6 million) small business have been identified as target clients using the NSSO survey. Only 4% of these businesses get finance from regular banks. The bank will also ensure that its clients do not fall into indebtedness and will lend responsibly.

The bank have an initial capital of ₹200 billion and a credit guarantee fund of ₹30 billion. The bank initially functioned as a non-banking financial company and a subsidiary of the Small Industries Development Bank of India (SIDBI). Later, it was made into a separate company. However, it will regulate Microfinance institutions.

The bank will classify its clients into three categories and the maximum allowed loan sums will be based on the category:

S. No.	Category	Maximum allowed loan	Allocation of additional fund (₹ 1 trillion)
1	Shishu	up to ₹ 50,000	40%
2	Kishor	up to ₹ 5 lakh	35%
3	Tarun	up to ₹ 10 lakh	25%

MUDRA bank refines loans to following categories including,

- Small manufacturing unit

- Shopkeepers
- Fruit and vegetable vendors
- Artisans

Pradhan Mantri Mudra Yojana (PMMY) was launched along with the launching of MUDRA bank and the detailed guidelines were issued by Government of India to all banks and

Microfinance institutions. MUDRA bank was given the responsibility of monitoring the programme by collecting the information on regular basis. Accordingly, MUDRA has put in place a monitoring portal which captures the data on lending under PMMY, in a granular fashion.

(Breaking down information or tasks into very detailed, small parts.)

PRACTICE MCQs

- The MUDRA Bank will initially come under
 - NABARD
 - SIDBI
 - HUDCO
 - CIDCO
 - None of these
- Which of the following statements is/are correct about Micro Units Development Refinance Agency (MUDRA)?
 - CGF (Credit Guarantee Fund) is expected to guarantee more than 1,00,000 crore rupees worth of loans to micro and small units in the first instance.
 - It will reduce the credit risk to banks and other financial intermediaries.
 - Only 1
 - Only 2
 - Both
 - None
- Which of the following scheme is for collateral free loans to Small/Micro business enterprises and individuals in the non-agricultural sector?
 - Pradhan Mantri Jan Dhan Yojana (PMJDY)
 - Pradhan Mantri Suraksha Bima Yojana (PMSBY)
 - Pradhan Mantri Kisan SAMman Nidhi (PMKISAN)
 - Pradhan Mantri MUDRA Yojana (PMMY)
- Which of the following financial Institutions cannot grant loans under MUDRA Yojana?
 - Scheduled Commercial Banks
 - Non-Banking Finance Companies
 - Payments Bank
 - Micro Finance Institutions
- Which of the following statements about MUDRA Yojana is correct?
 - MUDRA was set up on April 08, 2015 as a wholly owned subsidiary of SIDBI for "funding the unfunded" micro enterprises in the country
 - The beneficiaries can get loan assistance from ₹ 50,000 to ₹ 10 lakh.
 - MUDRA has created three products namely 'Shishu', 'Kishore' and 'Tarun' to signify the stage of growth / development and funding needs of the beneficiary micro unit / entrepreneur.
 - The MUDRA bank has corpus of ₹ 20,000 crore and credit guarantee corpus of ₹ 3000 crore.

Choose the correct answer using following options:

 - Only b, c and d
 - Only a, b and c
 - Only a, c and d
 - All are correct
- What is the maximum loan limit under the KISHOR category of MUDRA Yojana?
 - ₹ 50,000
 - ₹ 1 lakh
 - ₹ 5 lakh
 - ₹ 10 lakh
- What is the outlay of the Credit Guarantee Fund for MUDRA loans?
 - ₹ 1,000 crore
 - ₹ 5,000 crore
 - ₹ 3,000 crore
 - ₹ 4,000 crore
- What is the minimum loan limit under the KISHOR category of MUDRA Yojana?
 - ₹ 50,000
 - ₹ 1 lakh
 - ₹ 5 lakh
 - ₹ 10 lakh

9. Which of the following activities can be preferentially granted loan under MUDRA Yojana?
- (a) purchase of Transport Vehicle
 (b) Food Products Sector
 (c) Cosmetics Products Sector
 (d) Agricultural Loans
10. What is the initial capital amount of MUDRA Bank?
- (a) 100 billion
 (b) 200 billion 20,000 Crore
 (c) 400 billion
 (d) 500 billion
11. MUDRA bank initially functioned as a subsidiary of which of the following?
- (a) SIDBI (b) IFCI Ltd.
 (c) EXIM Bank (d) IBA
12. What is the maximum limit of loans that MFIs can give under the MUDRA Yojana?
- (a) ₹ 50000 (b) ₹ 100000
 (c) ₹ 200000 (d) ₹ 500000
13. What is the maximum loan limit under the SHISHU category of MUDRA Yojana?
- (a) ₹ 50,000 (b) ₹ 1 lakh
 (c) ₹ 5 lakh (d) ₹ 10 lakh

ANSWER KEYS

1.	(b)	2.	(c)	3.	(d)	4.	(c)	5.	(d)
6.	(c)	7.	(c)	8.	(a)	9.	(d)	10.	(b)
11.	(a)	12.	(b)	13.	(a)				

Small Finance Banks & Payment Banks in India

PAYMENTS BANKS AND SMALL FINANCE BANKS

In order to expedite financial inclusion, RBI had created a framework for licensing Payments Banks / Small Banks and other differentiated banks. These local area banks, payment banks and Small Banks are expected to meet credit and remittance needs of small businesses, unorganized sector, low income households, farmers and migrant work force.

Airtel was the first entity to launch India's first Payments Bank service in Rajasthan.

SMALL FINANCE BANKS AND PAYMENT BANKS

The concept of differentiated banks is not entirely new. In fact, and in a sense, the Urban Co Operative Banks (UCBs), the Primary Agricultural Credit Societies (PACS), the Regional Rural Banks (RRBs) and Local Area Banks (LABs) could be considered as differentiated banks as they operate in localized areas.

But the present concept of differentiated banks can be said as first discussed in 2007. Thereafter, the concept was once again discussed in a Paper "Banking Structure in India – The Way Forward", brought out by the Reserve Bank in August 2013. RBI granted in-principle approvals to 07 entities for

setting up payments banks (PBs) in August 2015 and 10 for Small Finance Bank (SFB) in September 2015.

List of Small Finance Banks in India

1. Au Small Finance Bank Ltd.
2. Capital Small Finance Bank Ltd.
3. Fincare Small Finance Bank Ltd.
4. Equitas Small Finance Bank Ltd.
5. ESAF Small Finance Bank Ltd.
6. Suryoday Small Finance Bank Ltd.
7. Ujjivan Small Finance Bank Ltd.
8. Utkarsh Small Finance Bank Ltd.
9. North East Small Finance Bank Ltd.
10. Jana Small Finance Bank Ltd.

List of Payments Banks in India

1. Airtel Payments Bank Ltd.
2. India Post Payments Bank Ltd.
3. FINO Payments Bank Ltd.
4. Paytm Payments Bank Ltd.
5. Aditya Birla Idea Payments Bank Ltd.
6. Jio Payments Bank Ltd.
7. NSDL Payments Bank Ltd.

Area	Small Finance Banks	Payment Banks
	<ul style="list-style-type: none"> • They are niche banks that focus and serve the needs of a certain demographic segment of the population. • The objectives of setting up of small finance banks will be to further financial inclusion by (1) the provision of savings vehicles (2) 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. • SFBs was recommended by the Nachiket Mor committee on financial inclusion. 	<ul style="list-style-type: none"> • The objectives of setting up of payments banks will be to further financial inclusion by providing (1) small savings accounts (2) payments/remittance services to migrant labour workforce, low-income households, small businesses, other unorganised sector entities and other users. • They will not lend to customers and will have to deploy their funds in government papers and bank deposits.
Scope of activities	<ul style="list-style-type: none"> • The small finance banks 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. 	<ul style="list-style-type: none"> • Acceptance of demand deposits- Payments bank will initially be restricted to holding a maximum balance of ₹100,000 per individual customer. • Issuance of ATM/debit cards- Payments banks, however, cannot issue credit cards. • Payments and remittance services through various channels. • Business Correspondents (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. • The payments bank cannot undertake lending activities.

Area	Small Finance Banks	Payment Banks
Criteria	<ul style="list-style-type: none"> • Individuals/professions with 10 years of experience in finance, Non-Banking Financial Companies (NBFCs), micro finance companies, local area banks are eligible to set up SFBs. • The minimum paid-up equity capital for small finance banks shall be ₹ 100 crore. • 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. • 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. • 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. • SFBs have to maintain Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR) as per RBI norms. • At least 50 per cent of its loan portfolio should constitute loans and advances of up to ₹ 25 lakh. 	<ul style="list-style-type: none"> • Existing non-bank Pre-paid Payment Instrument (PPI) issuers; and other entities such as individuals / professionals; Non-Banking Finance Companies (NBFCs), corporate Business Correspondents (BCs), mobile telephone companies, supermarket chains, companies, real sector cooperatives; that are owned and controlled by residents; and public sector entities may apply to set up payments banks. • Promoter/promoter groups should be 'fit and proper' with a sound track record of professional experience or run their businesses for at least a period of five years in order to be eligible to promote payments banks. • The minimum paid-up equity capital for small finance banks shall be ₹ 100 crore. • Maintains minimum 75% of deposits in Government bond and maximum 25% deposits with other scheduled commercial banks. • The promoter's minimum initial contribution to the paid-up equity capital of such payments bank shall at least be 40 per cent for the first five years from the commencement of its business. • The bank should have a high powered Customer Grievances Cell to handle customer complaints. • The operations of the bank should be fully networked and technology driven from the beginning, conforming to generally accepted standards and norms.

Area	Small Finance Banks	Payment Banks
Can do	<ul style="list-style-type: none"> • Sell forex to customers. • Sell mutual funds, insurance and pensions. • Can convert into a full-fledged bank. 	<ul style="list-style-type: none"> • Offer internet banking, sell mutual funds, insurance and pensions. • Have business correspondents and ATMs. • Offer bill payment service for customers • They can enable transfers and remittances from a mobile phone. • They can offer forex services at charges lower than bank • They can provide forex cards to travellers, usable as debit or ATM card all over India. • They can also offer card acceptance mechanism to third parties such as “Apple Pay”.
Can't do	<ul style="list-style-type: none"> • Extend large loans. • Cannot float subsidiaries and deal in sophisticated products. 	<ul style="list-style-type: none"> • Offer credit cards • Extend loans • Handle cross-border remittances • Accept NRI deposits
Challenges	<ul style="list-style-type: none"> • Have to compete with existing public sector banks and RRBs. • Micro Finance Institution (MFI)/NBFC are specialised in micro lending operations with limited exposure to banking operations; that means they have to hire, train talent from the banking industry. • The cost of deposit mobilisation will be higher for these banks as they cover rural and underserved segment. 	<ul style="list-style-type: none"> • Low revenue-can't undertake any lending businesses and the income stream is initially restricted to charges on remittances and efficiency of operations. • Required to invest minimum 75 per cent of its “demand deposit balances” into government securities. This limits their ability to earn from the deposit base as well. • Banks are already offering most services that payments banks can and hence, for payments banks to offer a new and differentiated proposition will not be easy. • Other saving instruments like Kisan Vikas Patra, gold bonds etc have better returns than payment banks. • Experience from Jan Dhan Yojna has shown that many such no-frill accounts have remained dormant, thus affecting the viability of the banks.

PAST YEAR MCQs

1. Which of the following organisations is established mainly to promote Micro, Small and Medium industrial sector in India?
(RBI Assistant 2015)
 - (a) NABARD
 - (b) SIDBI
 - (c) IDBI Bank
 - (d) EXIM Bank
 - (e) All of these

2. Payments banks are a new model of banks conceptualized by the Reserve Bank of India (RBI). These banks can accept a restricted deposit which is currently limited to INR 1 lakh per customer account. How much amount minimum capital has requirement for Payments banks?
(SBI PO 2016)
 - (a) ₹ 1 crore
 - (b) ₹ 50 crore
 - (c) ₹ 1000 crore
 - (d) ₹ 500 crore
 - (e) ₹ 100 crore

3. Small Finance Banks (SFBs) are required to extend _____ of their adjusted net bank credit (ANBC) for priority sector lending.
(SBI PO Main 2018)
 - (a) 60%
 - (b) 50%
 - (c) 25%
 - (d) 40%
 - (e) 75%

4. _____ has announced the launch of a service to enable NRIs to send money to beneficiaries in India using social media apps such as WhatsApp and e-mail.
(SBI PO Main 2018)
 - (a) Bank of Baroda
 - (b) Axis Bank
 - (c) State Bank of India
 - (d) ICICI Bank
 - (e) HDFC Bank

5. To offer an integrated payments platform to Micro, Small and Medium Enterprise (MSME) customers, using MARG's accounting software, Marg ERP limited has partnered with _____.
(IBPS RRB PO Main 2018)
 - (a) SBI
 - (b) ICICI Bank
 - (c) PNB
 - (d) Axis Bank
 - (e) Bank of Baroda

6. Small Industries Development Bank of India (SIDBI) has launched the which portal-
(RBI Grade-B 2018)
 - (a) Karmachari Muskan Portal
 - (b) Udyami Mitra Portal
 - (c) Bharat Udhog Portal
 - (d) Unnat Udhyaami Portal
 - (e) None of these

7. Social Pay service was launched by-
(RBI Grade-B 2018)
 - (a) SBI
 - (b) ICICI Bank
 - (c) Paytm
 - (d) TCS
 - (e) None of these

8. The minimum paid-up equity capital for small finance banks is _____.
(IBPS Clerk Main 2019)
 - (a) ₹ 10 crore
 - (b) ₹ 500 crore
 - (c) ₹ 100 crore
 - (d) ₹ 200 crore
 - (e) ₹ 1000 crore

9. As per guidelines of the RBI, payments banks can accept demand deposits (savings and current) up to a maximum of how much amount per customer?
(IBPS Clerk Main 2019)
 - (a) ₹ 1,00,000
 - (b) ₹ 2,00,000
 - (c) ₹ 50,000
 - (d) ₹ 5,00,000
 - (e) ₹ 10,000

10. Paytm has launched 'Paytm Money' app for mutual fund investments. The Paytm Money platform will be offering systematic investment plans (SIPs), starting at ₹ _____ per month
(IBPS Clerk Main 2019)
 - (a) ₹ 300
 - (b) ₹ 400
 - (c) ₹ 200
 - (d) ₹ 500
 - (e) ₹ 100

11. What is the minimum capital required by UCB Urban Cooperative Bank to convert itself to SFB?
(IBPS Clerk Main-2020)
 - (a) 20 crore
 - (b) 50 crore
 - (c) 80 crore
 - (d) 100 crore
 - (e) 150 crore

12. In the Balance of Payment (BOP), the transfer of payment is included in which of the following?
(SBI PO 2015)
- Current Account
 - Capital Account
 - Savings Accounts under Govt. Schemes
 - Official Reserve Accounts
 - All of them
13. RuPay is launched by (IBPS PO Main 2015)
- RBI
 - Finance Ministry
 - SBI
 - NPCI
 - None of these
- National Payments Corporation of India.
14. Mobile Money Identification Number (MMID) is a _____ digit number of which the first four digits are the unique identification number of the bank offering Immediate Payment Service (IMPS)
(SBI PO Main 2016)
- Seven
 - Thirteen
 - Eleven
 - Nine
 - None of these
15. 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.
(SBI PO Main 2016)
- Real-time gross settlement systems (RTGS)
 - Electronic Funds Transfer at Point of Sale (EFTIPOS)
 - Bharat Bill Payment System (BBPS)
 - Unified Payments Interface (UPI)
 - None of these
16. Which of the following banks has launched its Multi Option Payment Acceptance Device (MOPAD) for digital payments?
(IBPS PO Main 2018)
- Axis Bank
 - State Bank of India
 - Punjab National Bank
 - ICICI Bank
 - Bank of Baroda
17. Which of the following does not fall into the functions of Payments Banks?
(IBPS PO Main 2016)
- Acceptance of demand deposits
 - Internet banking
 - Kemittance services
 - Lending services
 - Sell mutual funds, insurance and pension products
18. In Basic Savings Bank Deposit Account (BSBDA), one can withdraw money 4 Times per month times in a month.
(IBPS RRB Asst. Main 2018)
- six
 - two
 - five
 - three
 - four
19. Bharat QR Code will make use of QR codes system for payments across merchant outlets. Bharat QR was launched by _____.
(SBI PO Main 2018)
- FICCI
 - NPCI
 - RBI
 - SEBI
 - IRDAI
20. Banks have finalised an inter-creditor agreement to resolve the issue of mounting _____ under Project "Sashakt".
(SBI PO Main 2018)
- Fund Transfer
 - UPI
 - NPA
 - KYC
 - NEFT
21. How many batches in NEFT daily?
(IBPS Clerk Main-2020)
- 20
 - 32
 - 48
 - 64
 - 59
22. Which bank has launched Bharosa Saving Account?
(IBPS PO Main-2019)
- Jio Payments Bank.
 - India Post Payments Bank
 - Paytm Payment Bank
 - Airtel Payment Bank
 - Fino Payments Bank
23. What is the Limit for Semi Closed PPI? Prepaid Payment Instruments
(IBPS Clerk Main-2020)
- ₹ 5,000
 - ₹ 10,000
 - ₹ 15,000
 - ₹ 20,000
 - ₹ 1,000
24. Bharat Bill Payment System is a major component of the retail payment transactions in India, and is characterized by the presence of large number of billers, who provide a variety of payment options to their customers. According to information available on the RBI website, the top 20 cities are generating INR how much amount in bill payments every year?
(SBI PO Main 2016)

- (a) INR 16,810 billion
 - (b) INR 4,703 billion
 - (c) INR 10,172 billion
 - (d) INR 6,223 billion 6,22,300 Cr.
 - (e) None of the above
25. Loans to individuals for educational purpose including vocational courses up to _____ for studies in India and _____ for studies abroad are included under priority sector lending by banks (SBI PO Main 2017)
- (a) ₹ 5 lakh , ₹10 lakh
 - (b) ₹ 7 lakh , ₹15 lakh
 - (c) ₹10 lakh , ₹ 20 lakh
 - (d) ₹12 lakh, ₹ 22 lakh
 - (e) None of these
26. The financial assistance of loans of ₹ 10000 by bank to a small borrower will be called.....? (SBI PO Main 2017)
- (a) Business finance
 - (b) Government finance
 - (c) Micro finance
 - (d) Small finance
 - (e) KYC finance
27. What is the limit for housing loans under priority sector? (SBI PO Main 2017)
1. Loans to individuals up to 28 lakh in metropolitan centers
 2. Loans up to 20 lakh in other centres for purchase/construction of a dwelling unit per family,
 3. Loans to individuals up to 40 Lakh in metropolitan centres.
- (a) Only 1
 - (b) Only 2
 - (c) Only 3
 - (d) 1 and 2 both
 - (e) None of these
28. What is the maximum limit of money a person can keep in India Post Payments Bank (IPPB)? (IBPS Clerk Main 2017)
- (a) ₹ 1 Lakh
 - (b) ₹ 2 Lakh
 - (c) ₹ 3 Lakh
 - (d) ₹ 4 Lakh
 - (e) None of these

ANSWER KEYS

1.	(b)	2.	(e)	3.	(e)	4.	(d)	5.	(b)
6.	(a)	7.	(b)	8.	(c)	9.	(a)	10.	(e)
11.	(d)	12.	(a)	13.	(d)	14.	(a)	15.	(d)
16.	(b)	17.	(d)	18.	(e)	19.	(b)	20.	(e)
21.	(c)	22.	(d)	23.	(b)	24.	(d)	25.	(c)
26.	(c)	27.	(d)	28.	(a)				

PRACTICE MCQs

1. Headquarters of Jana Small Finance Bank Limited is _____.
 (a) Bengaluru (b) Mumbai
 (c) Kolkata (d) Mysuru
 (e) Gauhati
2. IFCL, previously the Industrial Finance Corporation of India, was set up in which year?
 (a) 1947 (b) 1949
 (c) 1951 (d) 1953
 (e) 1955
3. Where is the headquarters of Utkarsh Small Finance Bank ?
 (a) Gandhinagar (b) Varanasi
 (c) Prayagraj (d) Thrissur
 (e) Pune
4. How much percentage of its funds is required to be invested by payments banks in government securities or T-bills with maturity up to 1 year?
 (a) 25% (b) 40%
 (c) 50% (d) 75%
5. The headquarters of North East Small Finance Bank is _____.
 (a) Mumbai (b) Gauhati
 (c) Kochi (d) Lucknow
 (e) Patna
6. What is the maximum amount of balance can be maintained an individual in payments bank?
 (a) 10000 (b) 500000
 (c) 100000 (d) 2500000
7. The headquarters of Au Small Finance Bank Limited is _____.
 (a) Kochi (b) Badodara
 (c) Nainital (d) Moradabad
 (e) Jaipur
8. How much percentage of its funds can be held by payments banks in current and time deposit with Scheduled Commercial Bank?
 (a) 25% (b) 40%
 (c) 50% (d) 75%
9. The headquarters of FINCARE Small Finance Bank Limited is _____.
 (a) Pune (b) Kochi
 (c) Bengaluru (d) Kohima
 (e) Mysuru
10. Which among the following activities are not permitted to payments banks?
 (a) Remittance services
 (b) Issuing ATM cards
 (c) Issuing credit cards
 (d) Accepting demand deposits
11. The headquarters of Equitas Small Finance Bank is _____.
 (a) Gandhinagar (b) Thrissur
 (c) Salem (d) Chennai
 (e) Kochi
12. What is the maximum limit on deposits for savings account in IPPB? India Post Payments Bank
 (a) 25000 (b) 50000
 (c) 100000 (d) 500000
13. The headquarters of Suryoday Small Finance Bank is _____.
 (a) Pune (b) Navi Mumbai
 (c) Kochi (d) Kohapur
 (e) Kanpur
14. Which of the following is the Headquarters of Capital Small Finance Bank ?
 (a) Jalandhar (b) Patiala
 (c) Lucknow (d) Firozabad
 (e) Mumbai

ANSWER KEYS

1.	(a)	2.	(b)	3.	(b)	4.	(d)	5.	(b)
6.	(c)	7.	(e)	8.	(a)	9.	(c)	10.	(c)
11.	(d)	12.	(c)	13.	(b)	14.	(a)		

Credit card-Debit card-Smart card ATMs in India

Technology has transformed the global world of banking and financial services beyond recognition. No other industry offers more complex challenges and more exciting opportunities than banking. Computerization of the business of banks has been receiving great importance. The banking institutions have already crossed 70% level of computerization of their businesses.

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 and non-financial transactions without the need to actually visit their bank branch.

The services offered by ATMs include Cash Deposit, Cash Withdrawal, Mini Statement, Balance Enquiry, Money Transfer, Bill Payment etc.

Types of ATMs

- **Onsite ATMs:** This type of ATM is situated either within the branch premises or in very close proximity to the branch.
- **Offsite ATMs:** It is not situated within the branch premises but is located at other places, such as malls, petrol pumps, railway stations etc.
- **Worksite ATMs:** It is located within the premises of an organisation and is generally meant only for the employees of the organisation.

- **White Label ATMs (WLA):** ATM is set up, owned and operated by non-banks is called White Label ATM. Non-ATM operators are authorized under Payment & Settlement Systems Act, 2007 by the RBI. However in White ATMs acceptance of cash deposits is not permitted.

First white label ATM in India is launched by TATA and brand named as IndiCash.

- **Biometric ATMs:** Biometric ATMs offer ATM type interface along with at least one biometric capture device like Finger Print Scanner, Iris Camera, Palm/Finger Vein Scanner, Face-Recognition Camera. These are often-called as multi-biometrics ATM, wall mount biometrics ATM, Biometric devices. With the wide acceptance of biometrics new generation of biometric ATMs are being deployed for wide range of applications globally.
- **Brown Label ATMs:** 'Brown label' ATMs are those owned and maintained by a service provider, but cash management and connectivity to banking networks is provided by a sponsor bank whose brand used the ATM.
- **Mobile ATMs:** These ATMs are mobile ATMs that moves on a vehicle in various locations for customers to carry out transactions

ATM and Re-calibration of ATMs

- At present, there are over 200,000 ATMs across the country. NCR Corporation India, with a market share of 47 per cent

and almost 1 lakh ATM machines from Kashmir to Kanyakumari in India, is the leading player.

- In an ATM, there are what can be called cassettes configured to dispense ₹ 2,000, ₹ 500, ₹ 200 and ₹ 100 notes. These cassettes have an electronic setting at the back-end, so, when docked to a machine, it will tell the machine that the cassette is configured for Particular Denomination.
- Then there is the software setting that helps dispense the types of notes. For instance, a cassette is configured for ₹2,000 notes, and likewise other cassettes carry denominations of ₹ 500, ₹ 200 and ₹ 100. When ₹ 3000 IS withdrawn, the software will pick up one note of ₹ 2,000 and the remainder in ₹ 500, ₹ 200 or ₹ 100 notes, which will depend on the logic built into the machine. The banks usually decide on the software logic behind the dispensing of cash.

Credit Card

A credit card is a Plastic card issued by Banks to enable the cardholder to pay a merchant for goods and services, based on the cardholder's promise to the card issuer to pay them for the amounts so paid plus other agreed charges. Central Bank of India was the first public bank to introduce Credit card.

- Banks in India can undertake credit card business either departmentally or through a subsidiary company set up for the purpose. They can also undertake domestic credit card business by entering into tie-up arrangement with other banks already having arrangements for issue of credit cards.
- Prior approval of the Reserve Bank is not necessary for banks desirous of undertaking credit card business either

independently or in tie-up arrangement with other card issuing banks.

- Banks can do so with the approval of their Boards. However, only banks with net worth of 100 crore and above should undertake credit card business.

Debit Cards

Debit Cards, on the other hand, do not allow credit. The account usually debited immediately or on the same day when the card has been used to draw money or make purchases. No credit period is allowed.

Prepaid cards

A prepaid card works a bit like a gift card — you top it up with money, and you can only spend up to that amount. Often it is used by travellers to carry holiday money and by anyone without a normal bank account — generally kids, teens and people with poor credit ratings.

Smart card

It contains an electronic chip which is used to store cash. This is most useful when you have to pay for small purchases. For example bus fares and coffee bills. No identification, signature or payment authorisation is required for using this card. The exact amount of purchase is deducted from the Smart card during payment and is collected by smart card reading machines. No change is given.

Co-branded cards

They are credit cards issued by card companies that have tied up with a popular brand for the purpose of offering certain exclusive benefits to the consumer. For example, the Citi-Times card gives you all the benefits of a Citibank credit card along with a special discount on Times Music cassettes, free entry to Times Music events, etc.

RuPay Card

RuPay is the Indian version of the card network which is started by National Payment Corporation of India on 26th March, 2012. RuPay primarily provides debit cards. Apart from this, RuPay also issues 'Kisan Credit Cards' for farmers.

- RuPay is the combination of two terms Rupee and Payment. The RuPay Visual Identity is a modern and dynamic unit.
- RuPay competes with other card-based payment system providers such as MasterCard, Visa and Amex in India. RuPay has over 36% of market share in Indian card payment scheme behind Visa which has over 50% of the market share.
- India is now the sixth country in the world to have domestic payment gateway system (the other five countries are US, Japan, China, Singapore and Brazil).

Kisan Credit Card

The Kisan Credit Card (KCC) introduced by the NDA Government in August 1998 has emerged as an innovative credit delivery mechanism to meet the production credit requirements of the farmers in a timely and hassle-free manner. The card is valid for five years and subject to annual renewals.

This KCC card offering Credit to the farmers in two types viz.

- Cash Credit
- Term Credit (For allied activities such as pump sets, land development, plantation, drip irrigation)

The scheme is under implementation in the entire country by the vast institutional credit framework involving Commercial Banks, RRBs and Cooperatives and has received wide acceptability amongst bankers and farmers. It was first proposed in the Budget 1998-99 by then Finance Minister Yashwant Sinha. In the

subsequent years, NABARD prepared a Model Kisan Credit Card Scheme in consultation with the major Banks on the recommendations of R V Gupta Committee.

Repayment:

Cash Credit: Crop loans as well as working capital for agriculture and allied activities to be provided as revolving cash credit limit repayable in 12 months

Term Loan: Repayable within a maximum period of 5 years, depending on the type of activity/ investment and repayment capacity

Point of Sale Machine

A point-of-sale (POS) terminal is a computerised replacement for a cash register which can process credit and debit cards. A customer needs to enter a card PIN to complete the transaction using the POS terminal.

Electronic Funds Transfer at Point of Sale—(EFTPOS)

EFTPOS is an electronic payment system involving electronic funds transfers based on the use of payment cards, such as debit or credit cards, at payment terminals located at points of sale.

MICR (Magnetic Ink Character Recognition)

It is a technology which allows machines to read and process cheques enabling thousands of cheque transactions in a short time. MICR code is usually a nine digit code. First three digits: Represent the city code that is the city in which the bank branch is located. Next three digits: Bank code; Last three digits: Bank branch code; for example, if you have an account with Axis Bank, New Delhi (Defence Colony) then its nine digit - MICR code will be 110211001 where:

110, the first three digits representing the city code for New Delhi.

211, the next three digits representing the bank code for Axis bank;

And 001, the last three digits representing the bank branch code for Parliament Street.

IFSC (Indian Financial System Code)

The Payment Systems such as National Electronic Funds Transfer (NEFT), Real Time Gross Settlement (RTGS) & Centralized Funds Management System (CFMS) used IFS Codes. IFSC is developed by the Reserve Bank of India.

The code consists of 11 Characters:

First 4 characters represent the entity

Fifth position has been defaulted with a 0 (Zero) for future use

Last 6 characters denotes the branch identity e.g. UTIB0000117 (Axis Bank, Parliament Street, Delhi)

SWIFT Code

It is a unique identification code for both financial and non-financial institutions approved by the International Organization for Standardization (ISO). SWIFT Standards, a division of the Society for Worldwide Interbank Financial Telecommunication (SWIFT), handles the registration of these codes.

- SWIFT Codes are used when transferring money between banks, particularly for international wire transfers, and also for the exchange of other messages between banks. It is also known as Bank Identifier Code (BIC). It generally consists of 8 or 11 characters.

Electronic Clearing Service (ECS)

The Reserve Bank of India offers the Electronic Clearing System (ECS) for faster payments and collections.

- ECS is an electronic mode of payment/ receipt for transactions that are repetitive and periodic in nature. By 'repetitive and periodic' means that the transactions occur repetitively and after a fixed time interval.

- ECS is used by institutions for making bulk payment of amounts or for bulk collection of amounts.

- Examples for bulk payment of amounts include paying of interest, salary, pension, etc.

Examples for bulk collection of amounts includes telephone, electricity, water bills, cess/ tax collections, loan instalment repayments, periodic investments in mutual funds, insurance premium, etc.

- ECS is used for faster payments and collections. It is used for either making bulk payment of amounts or for bulk collection of amounts. The institutions which apply for ECS can initiate the process; there is no need to go to bank branch again and again.

Mobile Banking (M-Banking)

Mobile phone banking takes one step ahead of internet and tele-banking. The customer can do a banking activity, without even making a phone call. The most obvious advantage of mobile phone banking over tele-banking and internet banking is that it is truly "Any Time Any Where Banking". There are broadly two types of services that a customer could avail through mobile phone.

a) Alert Services – Alert services help a customer keep a track of the activity on his accounts and;

b) Request – Allows a customer call for information pertaining to his bank accounts and transactions. The mobile banking works through a set of text messages. The use of mobile phones in the country has become revolutionary; therefore, it is no surprise that banks are offering services over mobile phones as part of their tech banking initiatives.

Internet banking

Bank on the Net Internet banking has become a necessity in today's busy lifestyles. Using

this mode to transact saves precious time and effort. From across the seven seas, as long as the customer has an access to the internet, he can have an access to his bank. Internet banking allows a customer to conduct a plethora of banking activities using the net. The best part about internet banking is the convenience offered along with total confidentiality and safety. The virtual ease with which a customer can bank today is reassuring.

Fund Transfers

Fund Transfers Internet banking or online banking allows a customer to transfer funds from one account to another, across branches and cities. Some banking institutions have gone one step ahead by offering the customers the facility to transfer money from his account to that of any person with an account at the same bank or any bank, any time and from anywhere. All the customer has to do is submit a signed declaration stating that he wants to access this facility.

RTGS, NEFT and IMPS

Real Time Gross Settlement (RTGS) is based on the gross settlement where the transaction is settled on an instruction by instruction basis. In RTGS, the minimum amount should be above ₹ 2 lakh and maximum amount is ₹ 10 Lakh.

National Electronic Funds Transfer (NEFT) is an electronic fund transfer system that operates on a Deferred Net Settlement (DNS) basis which settles transactions in batches. NEFT has no limit either minimum or maximum - on the amount of funds that could be transferred.

Immediate Payment Service (IMPS) basically involves a transfer mechanism using the mobile phone. Many banks allow the transfer through this mechanism including the reputed banks like State Bank of India, ICICI Bank and Axis Bank. Here is the limit set by the bank.

For example, State Bank of India permits only one beneficiary in a calendar day which means one cannot send money through IMPS for more than one beneficiary in a day.

Pay Utility Bills

The customers can now even pay telephone, mobile and electricity bills over the net. However, some banks limit the facilities like these and creation of new fixed deposits and demand drafts requests to regular banking hours. In case, the customer puts in the request after banking hours, the bank promptly executes it on the next working day. So it is definitely better than standing in queues at utility offices or banking premises on a working day.

Virtual currency

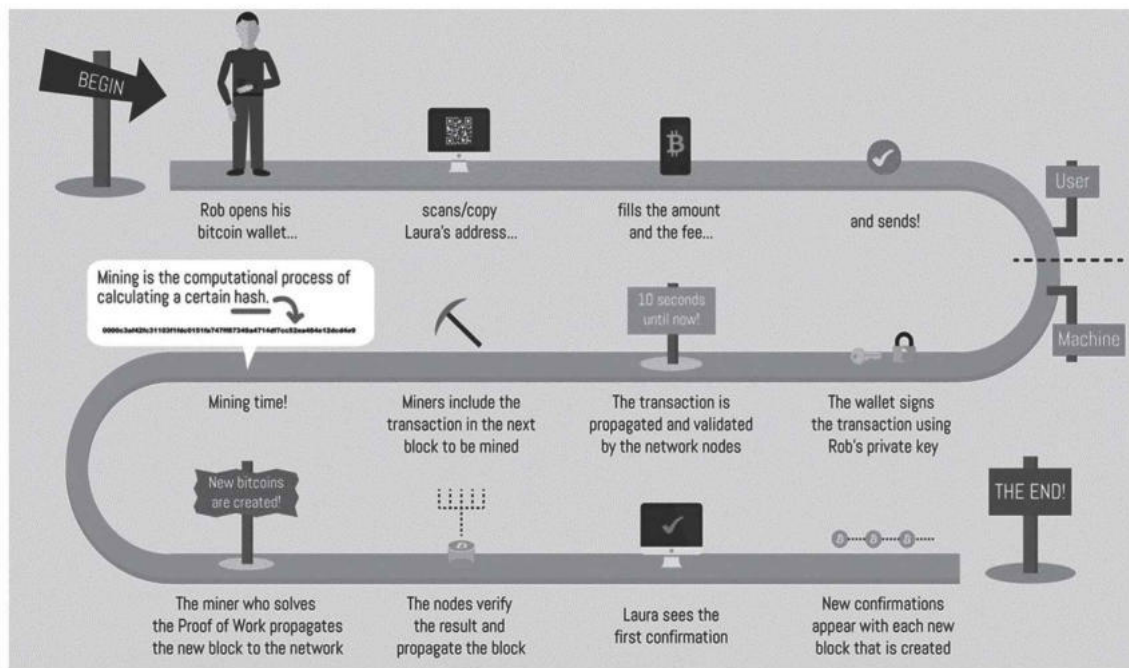
Virtual currency is a digital representation of value that functions as a medium of exchange, a unit of account, and/or a store of value. In some environments, it operates like "real" currency, that is designated as legal tender, circulates, and is customarily used and accepted as a medium of exchange in the country of issuance, but it does not have legal tender status in any jurisdiction.

Cryptocurrency

Cryptocurrency is a type of virtual currency that utilizes cryptography to validate and secure transactions that are digitally recorded on a distributed ledger, such as a blockchain. Virtual currency that has an equivalent value in real currency, or that acts as a substitute for real currency, is referred to as "convertible" virtual currency.

Bitcoin

Bitcoin is one example of a convertible virtual currency. Bitcoin can be digitally traded between users and can be purchased for, or exchanged into, U.S. dollars, Euros, and other real or virtual currencies.



(Fig. source Patricia Estevia)

Example - Bitcoin Transaction between Person 1 (Rob) to Person 2 (Laura)

Virtual Currencies in India

A high-level Inter-Ministerial Committee was constituted in November 2017 to study the issues related to virtual currencies and propose actions to be taken. The Committee submitted its report on February 28, 2019. The Committee recommended that all private cryptocurrencies, except any cryptocurrency

issued by the State, be banned in India and any activity connected with cryptocurrencies be criminalised through a law. Further, it recommended that the government may establish a Standing Committee to take into account the global and local technological developments in the field and revisit the issues related to virtual currencies, as and when required.

PAST YEAR MCQs

1. Basic Savings Bank Deposit Account (BSBDA) is a Zero Balance Savings Account that takes care of your simple banking needs with Free ATM card, monthly statement, and cheque book. How much amount has withdrawal and transfer limit under BSBDA?
(SBI PO Main 2016)
 - (a) ₹ 1,00,000 per month
 - (b) ₹ 20,000 per month
 - (c) ₹ 50,000 per year
 - (d) ₹ 10,000 per month
 - (e) No Limit
2. The Aadhaar-Enabled Payment System (AEPS) is a bank-led model that facilitates banking facilities through banking correspondents across banks. However, Aadhaar-enabled basic types of banking transactions do 'not' include?
(SBI PO Main 2017)
 - (a) Aadhaar to Aadhaar funds transfer
 - (b) Small overdraft facility
 - (c) Cash withdrawal
 - (d) Balance enquiry
 - (e) Cash deposit
3. Credit cards are also known as which of the following? (SBI PO Main 2017)
 - (a) Plastic money
 - (b) Hard money
 - (c) Silver money
 - (d) Easy money
 - (e) None of these
4. The Non-Bank entities which set up, owned and operate the ATMs are known as? (IBPS PO Main-2019)
 - (a) Orange Label ATM
 - (b) Brown Label ATM
 - (c) Yellow Label
 - (d) Onsite ATMs
 - (e) White Label ATMs
5. Apple Inc has jointly launched the "Apple Card" a virtual credit card for iPhones with which company?
(IBPS RRB PO Main-2019)
 - (a) Walmart Inc
 - (b) Goldman Sachs Group Inc
 - (c) J.P. Morgan
 - (d) Deutsche Bank
 - (e) Morgan Stanley

ANSWER KEYS

1.	(d)	2.	(b)	3.	(a)	4.	(e)	5.	(b)		
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PRACTICE MCQs

1. A 'Debit Card' is issued by a bank to
 - (a) all customers of a bank
 - (b) all customers having savings bank account with a bank
 - (c) all customers having loan account with a bank
 - (d) a bank customer who is income tax assessee
 - (e) all corporate salary account holder
2. Which of the following is the limitation of the ATMs owing to which people are required to visit branches of the bank?
 - I. It does not accept deposits.
 - II. It has a limited cash disbursement capacity.
 - III. Lack of human interface.

Select the correct answer using the codes given below:

 - (a) Only I
 - (b) Only II
 - (c) Only III
 - (d) III, II and I
 - (e) None of these
3. Real time gross settlement benefits
 - (a) the customers
 - (b) the banks
 - (c) Reserve Bank of India
 - (d) Both (a) and (b)
 - (e) None of these
4. Which of the following banks has opened the country's first, 'Cash Factory' in Lucknow which will issue currency notes to all its branches and ATM in that area?
 - (a) Bank of India
 - (b) Bank of Baroda
 - (c) State Bank of India
 - (d) Union Bank of India
 - (e) None of these
5. As we all know, more and more countries/ organisations are now going for non-cash transactions and accordingly banks have launched many new products in the market for the same. Which of the following products is a non-cash transaction product?
 - (a) Only ATM Card
 - (b) Only Credit Card
 - (c) Only Prepaid Card
 - (d) Only Debit Card
 - (e) All are non-cash transaction products
6. A-card stores and provides identification authentication, data storage and application processing applications
 - (a) Debit Card
 - (b) Smart Card
 - (c) Credit Card
 - (d) ATM Card
 - (e) None of these
7. Which of the following is a leading electronic payment technology firm? (The logo of the firm can be seen printed on credit cards/ATM centres etc.)
 - (a) Visa
 - (b) Max
 - (c) BSE
 - (d) Sensex
 - (e) SWAP
8. To use smart cards/debit cards/credit cards for the purchase of an item or for payment of a service at a merchant's store, the card has to be swiped in a terminal known as
 - (a) point of sale terminal
 - (b) real time terminal
 - (c) shopping terminal
 - (d) All of the above
 - (e) None of these
9. All Inter-Bank Funds Transfer System, where funds are transferred as and when the transactions are triggered, is called
 - (a) internet banking

- (b) mobile banking
(c) bill payment service
(d) real time gross settlement
(e) None of these
10. The money market in India consists of two sectors namely the organised and the unorganised sector. Which of the following fall under unorganised sector?
- (a) RBI, commercial banks and SBI
(b) LIC and GIC
(c) Unit Trust of India
(d) Indigenous banks
(e) None of these
11. Currently, banks claim that they have achieved 100% CBS. What are they referring to? Core Banking Solution
- (a) It means all their branches are technology driven with core banking solutions
(b) It suggests complete banking services
(c) It is an indication of customised banking services
(d) All of the above
(e) None of these
12. Opening of maximum number of ATMs is an example of
- (a) indirect marketing
(b) direct marketing
(c) social marketing
(d) All of these
(e) None of these
13. Telebanking service is based on
- (a) virtual banking
(b) online banking
(c) voice banking
(d) core banking
(e) None of these
14. The best alternative banking service to branch banking to be the part of financial inclusion?
- (a) Establishment of small branches
(b) Set-up ATMs
(c) Issuing of ATM cards
(d) Giving credit cards
(e) Mobile banking
15. Which of the following is/are the major concepts visible in today's banking industry in India?
- I. Risk-based management
II. Growing competition
III. IT initiatives
- Select the correct answer using the codes given below:
- (a) Only I (b) Only II
(c) Only III (d) I and III
(e) All of these
16. 'National Financial Switch' has been set-up to facilitate connectivity between the bank's switches and their ATMs and inter-bank payment gateway for authentication and routing the payment details of various e-commerce transactions. Which organisation has set-up this switch?
- (a) IBRD (b) IDRBT Institute for Development and Research in Banking Technology
(c) SBI (d) SIDBI
(e) None of these
17. Banks and other institutions have issued debit and credit cards, the purpose of both are
- (a) the same, to make paperless payments
(b) different, since in credit card, the account is credited with the amount while in debit card the account is debited
(c) the same, there is risk weight-age of 125% in both the cards.
(d) different, since in debit cards interest for delayed period is charged while in credit cards no such interest is charged by banks
(e) None of these

18. When we talk of smart money what are we referring to?
- Foreign currency
 - Internet banking
 - Credit cards
 - Treasury bills
 - None of these
19. Which of following is necessary to transfer funds through the RTGS facility?
- Beneficiary's bank account number
 - The IFSC number of the beneficiary's bank branch
 - There is a minimum amount specified for transfer
 - All of the above
 - None of these
20. In E-commerce what is meant by B2B?
- It means trade between business to business
 - The deals between business to banks
 - It suggests transactions between banks and capitalists
 - All of the above
 - None of these
21. What is the name given to the online payment services that all internet banking customers can use?
- E pay
 - E-commerce
 - ECS
 - All of these
 - None of these
22. The ATMs which are set up, owned and operated by non-banks are called
- White Label ATMs
 - Brown Label ATMs
 - Blue Label ATMs
 - None of these
23. Which of the following types of accounts is/are not applicable for free transactions at ATMs?
- Basic Savings Bank Deposit Accounts
 - Savings Account
 - Current Account
 - Both (a) and (b)
 - None of these
24. What amount does a bank have to pay to customers for delays in re-crediting the amount beyond 7 working days in case of failed ATM transaction?
- ₹ 100
 - ₹ 200
 - ₹ 300
 - ₹ 500
 - None of these
25. Which of the following statements is/are correct regarding credit card?
- Banks in India can undertake credit card business either departmentally or through a subsidiary company set up for the purpose.
 - Prior approval of the Reserve Bank is not necessary for banks desirous of undertaking credit card business.
- i only
 - ii only
 - Both i and ii
 - None of these
26. Citi-Times card is an example of
- Co-branded cards
 - debit card
 - smart card
 - prepaid card
 - None of these
27. Which of the following statements is/are correct about Kisan Credit Card?
- It was introduced in August 1999.
 - It offers credit in terms of cash credit and term credit.
- i only
 - ii only
 - Both i and ii
 - None of these
28. Electronic Funds Transfer at Point of Sale involves funds transfers based on the use of
- debit cards

- (b) credit cards
(c) both (a) and (b)
(d) None of these
29. Indian Financial System Code is used for ^{IFSC}
(a) National Electronic Funds Transfer
(b) Real Time Gross Settlement
(c) Centralized Funds Management System
(d) All of the above
(e) None of these
30. Transferring money between banks for international wire transfers uses
(a) SWIFT Codes
(b) MICR Codes
(c) IFSC Codes
(d) None of these
31. Which payment mode is used for making bulk payment of amounts?
(a) NEFT (b) RTGS
(c) IMPS (d) ECS Credit
(e) None of these
32. National Automated Clearing House (NACH) has been launched for
(a) clearing cheques
(b) facilitating interbank electronic transactions
(c) clearing loans
(d) both (a) and (b)
(e) None of these
33. Which cryptocurrency has hit its highest level in 3 years following India's demonetisation?
(a) Bitcoin (b) Rupay
(c) USSD (d) UPI
(e) None of these

ANSWER KEYS

1.	(b)	2.	(b)	3.	(d)	4.	(c)	5.	(e)
6.	(a)	7.	(a)	8.	(a)	9.	(d)	10.	(d)
11.	(a)	12.	(b)	13.	(c)	14.	(e)	15.	(e)
16.	(b)	17.	(a)	18.	(c)	19.	(d)	20.	(a)
21.	(a)	22.	(a)	23.	(a)	24.	(a)	25.	(c)
26.	(a)	27.	(b)	28.	(c)	29.	(d)	30.	(a)
31.	(d)	32.	(b)	33.	(a)				

Banks Board Bureau & Indian Banks' Association

BANKS BOARD BUREAU

Banks Board Bureau is an **autonomous body** of eminent professionals and officials for public sector banks (PSBs).

Genesis

- The Banks Board Bureau has its genesis in the recommendations of The Committee to Review Governance of Boards of Banks in India, May 2014.
- It was announced by Union Government in August 2015 as part of seven point Indradhanush Mission to revamp PSBs
- 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.
- It had replaced Appointments Board of Government.
- It is housed in Reserve Bank of India's central office in Mumbai, Maharashtra.
- BBB is considered as the first step towards Bank Investment Company as recommended by P J Nayak committee.

Functions

- Give recommendations for appointment of **full-time Directors as well as non-Executive Chairman of PSBs.**
- Give advice to PSBs in developing differentiated strategies for raising funds

through innovative financial methods and instruments and to deal with issues of stressed assets.

- Guide banks on **mergers and consolidations and governance issues to address bad loans problem** among other issues.

Roles

As part of its mandate, and guided by a spirit of collaboration, the Bureau is engaging with various stakeholders. The objective of such engagement being 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. In its endeavour, the Bureau is mindful of the need to have a fully empowered board in each and every PSB. 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.**

Composition:

- 3 ex-officio members (from government) and
- 3 expert members (2 of which are from private sector in addition to Chairman).

The Banks Board Bureau has recommended a new MD and CEO for Central Bank of India and Indian Overseas Bank and also a new MD for State Bank of India.

Ashwani Bhatia as MD for SBI

P.P. Sengupta as MD and CEO for IOB

Matam Venkata Rao as MD and CEO for CBI

INDIAN BANKS' ASSOCIATION (IBA)

Indian Banks' Association (IBA) is an association of Indian banks and financial

institutions. It was formed on 26 September 1946 in Mumbai as a representative body of management of banking operating in India. With an initial membership representing 22 banks in India in 1946, IBA currently represents 246 banking companies operating in India. IBA was formed for development, coordination and strengthening of Indian banking, and assist the member banks in various ways including implementation of new systems and adoption of standards among the members. Indian Banks' Association is managed by a managing committee, and the current managing committee consists,

- 1 Chairman
- 3 Deputy Chairmen
- 1 Honorary Secretary
- 26 Members

PAST YEAR MCQs

- The Securities and Exchange Board of India is the regulator for the securities market in India. The present chairman of SEBI is _____ (IBPS RRB Asst. Main 2018)
 - Urjit Patel
 - Subhash Chandra Khuntia
 - Ajay Tyagi
 - Ram Sewak Sharma
 - Harsh Kumar Bhanwala
- NPCI was set up with the guidance and support of- (RBI Grade-B 2018)
 - SIDBI
 - RBI
 - SBI
 - IFCIL
 - None of these
- Who among the following is the chairman of Indian Banks' Association (IBA) which was formed as a representative body of management of banking in India? (IBPS Clerk Main 2019)
 - Jatinder Bir Singh
 - Dinabandhu Mohapatra
 - Sunil Mehta
 - Rajnish Kumar
 - Chanda Kochhar

ANSWER KEYS

1.	(c)	2.	(b)	3.	(c)			
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NATIONAL PAYMENTS CORPORATION OF INDIA (NPCI)

National Payments Corporation of India (NPCI) is an **umbrella** organization for all **retail payments in India**. It was set up with the guidance and support of the **Reserve Bank of India (RBI)** and **Indian Banks Association (IBA)**.

Genesis → how something started

It was set up under the provisions of the **Payment and Settlement Systems Act, 2007**, for creating a robust Payment & Settlement Infrastructure in India. NPCI has been incorporated as a **“Not for Profit”** Company under the provisions of **Section 25 of Companies Act 1956** (now **Section 8 of Companies Act 2013**), with an intention to provide infrastructure to the entire Banking system in India for physical as well as electronic payment and settlement systems. The Company is focused on bringing **innovations in the retail payment systems** through the use of technology for achieving greater efficiency in operations and widening the reach of payment systems.

Promoter banks

- State Bank of India,
- Punjab National Bank,
- Canara Bank,
- Bank of Baroda,
- Union Bank of India,
- Bank of India,
- ICICI Bank,
- HDFC Bank,

- Citibank and
- HSBC.

Products

Some of the important **National Payments Corporation of India (NPCI)**- products are as follows:

Aadhaar Enabled Payment System (AePS)

Aadhaar Enabled Payment System (AePS) is a **bank-led model** which allows basic interoperable banking transactions at PoS (Micro ATM) through the Business correspondent of any bank by using Aadhaar authentication. It is a network of Micro ATMs using Aadhaar authentication.

Bharat Bill Payment System

The Bharat Bill Payment System is a Reserve Bank of India (RBI) conceptualised system driven by the **NPCI**. It is a one-stop ecosystem for **payment of all bills**, providing an interoperable and accessible **“Anytime Anywhere”** bill payment service to all customers across India with certainty, reliability and safety. Bharat BillPay has multiple modes of payment and provides instant confirmation of payment via an **SMS** or **receipt**. It offers **myriad bill collection** categories like **electricity, telecom, DTH, gas, water bills etc.** through a single window. More categories may be added in the future, **to include insurance premium, mutual funds, school fees, institution fees, credit cards, local taxes, invoice payments, etc.** An effective mechanism for handling consumer complaints has also been put in place. Bharat BillPay transactions can be initiated through multiple payment channels like **Internet**,

Internet Banking, Mobile, Mobile-Banking, POS, Mobile Wallets, MPOS (Mobile Point of Sale terminal), Kiosk, ATM, Bank Branch, Agents and Business Correspondents. Bharat BillPay supports multiple payment modes. This includes Cards (Credit, Debit and Prepaid), NEFT Internet Banking, UPI, Wallets, Aadhaar based Payments and Cash.

BHARAT QR

Bharat QR system helps in enabling digital payments to reduce the usage of card swiping machines for payment. A number of banks supported Bharat QR, before the system was launched, and got ready to deploy it. It was launched in September 2016 with an aim of facilitating India in transition to a less-cash society.

Bharat QR primarily works by scanning QR codes, it is not the only way to make payments. It allows users to pay through Aadhaar number, UPI payment address or through account number and IFSC code, thus, minimizing the need to pay using debit and credit card which are, supposedly, less secure than Bharat QR. The system, also, supports Dynamic QR code generation which eliminates the need of entering the amount for payment.

This payment system supports RuPay, Mastercard, Visa, American Express and other national banks. Multiple cards can be linked to Bharat QR supported bank apps and can be selected any one of them to handle transactions conveniently for bank customers, partners, merchants. Bharat QR enables faster & secure mode of transactions with Immediate Payment Service (IMPS). There is no need to share mobile number or account details, CVV with anyone.

BHIM

BHIM (Bharat Interface for Money) is a Indian mobile payment App developed by the National Payments Corporation

of India (NPCI), based on the Unified Payments Interface (UPI). Named after B. R. Ambedkar and launched on 30 December 2016, it is intended to facilitate e-payments directly through banks as part of the 2016 Indian banknote demonetisation and drive towards cashless transactions.

The app supports all Indian banks which use UPI, which is built over the Immediate Payment Service (IMPS) infrastructure and allows the user to instantly transfer money between bank accounts of any two parties. It can be used on all mobile devices.

BHIM allow users to send or receive money to or from UPI payment addresses, or to non-UPI based accounts (by scanning a QR code with account number and IFSC code or MMID (Mobile Money Identifier Code).

Unlike mobile wallets (PayTM, Mobi Kwik, mPesa, Airtel Money, etc.) which hold money, the BHIM app is only a mechanism which transfers money between different bank accounts.

Cheque Truncation System (CTS)

Cheque truncation means stopping the flow of the physical cheques issued by a drawer to the drawee branch. The physical instrument is truncated at some point in route to the drawee branch and an electronic image of the cheque is sent to the drawee branch along with the relevant information like the MICR fields, date of presentation, presenting banks etc. This eliminates the need to move the physical instruments across branches, except in exceptional circumstances.

Immediate Payment Service (IMPS)

- Immediate Payment Service (IMPS) is an instant payment inter-bank electronic funds transfer system in India. IMPS offers an inter-bank electronic fund transfer service through mobile phones. Unlike RTGS, the service is available 24x7 throughout the year including bank holidays.

National Automated Clearing House (NACH)

National Automated Clearing House was introduced by National Payments Corporation of India. It is a centralised clearing service that aims at providing interbank high volume, low value transactions that are repetitive and periodic in nature. Offering credit and debit service to corporates, banks, and financial institutions, the service, aimed at integrating all regional ECS into one National Payment System, is claimed to be better than its predecessor, Electronic Clearing Service.

National Financial Switch (NFS)

NFS is the largest domestic ATM network in the country and has been in the fore front in providing inter bank ATM services to maximum customers. Various services including the following are available in the NFS network

- Cash Withdrawal
- Balance Enquiry
- PIN Change
- Mini Statement

To enable the member banks of NFS to offer greater utility to their customers, NPCI has introduced the below mentioned functionalities as value added services to enable customers to use these services at any participating bank ATMs.

Card to Card Fund transfer (ATM/Debit Card to ATM/Debit Card) : Using this service, a Card holder of a participating NFS Member Bank will be able to remit funds to another Card holder of a participating NFS Member Bank. The funds will be transferred basis the Beneficiary's 'Card Number' which the remitter will be required to input at the

time of the transaction. The main features of the service are mentioned below:

- Inter Operable
- Instant Fund Transfer
- 24/7 Availability
- Paper Less
- Secure
- Better Fund Management

RuPay

RuPay facilitates electronic payment at all Indian banks and financial institutions. NPCI maintains ties with Discover Financial, JCB to enable RuPay card scheme gain international acceptance This scheme was conceived and launched by the National Payments Corporation of India (NPCI) on 26 March 2012.

Unified Payments Interface (UPI)

Unified Payments Interface (UPI) is a real time inter bank payment system that allows sending or requesting money. Any UPI client app may be used and multiple bank accounts may be linked to single app. Money can be sent or requested with the following methods:

- **Virtual Payment Address (VPA) or UPI ID:** Send or request money from/to bank account mapped using VPA.
- **Mobile number:** Send or request money from/to the bank account mapped using mobile number.
- **Account number & IFSC:** Send money to the bank account.
- **Aadhaar:** Send money to the bank account mapped using Aadhaar number.
- **QR code:** Send money by QR code which has enclosed VPA, Account number and IFSC or Mobile number.

PRACTICE MCQs

1. BBPS stands for _____.
 - (a) Broad Band Plug-in Spectrum
 - (b) Budgeting and Business Planning Security
 - (c) Bharat Bill Product System
 - (d) **Bharat Bill Payment System**
 - (e) None of these
2. _____ 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 these
3. Which among the following benefits is/are associated with RuPay?
 - (a) **International transactions lead to higher transactions costs. Such costs can be reduced by using RuPay card since processing will be done within the country.**
 - (b) **Users will get alerts for every transaction made through RuPay Card.**
 - (c) **Processing fees for RuPay card compared with regular debit/credit cards will be considerably lower.**
 - (d) **All of the above**
 - (e) None of these
4. Which among the following products is not a product of NPCI?
 - (a) Unified Payments Interface (UPI)
 - (b) Bharat Interface for Money (BHIM)
 - (c) **Single Euro Payments Area (SEPA)**
 - (d) Bharat Bill Payment System (BBPS)
 - (e) None of these
5. Which card is a **new card payment scheme** launched by NPCI?
 - (a) Maestro card
 - (b) Visa Card
 - (c) Master Card
 - (d) **RuPay**
 - (e) None of these
6. HDFC Bank has announced its UPI will also be available on **Chillr**, a multi-bank mobile payments app. What is the meaning of "**I**" in UPI?
 - (a) Instant
 - (b) **Interface**
 - (c) Initial
 - (d) International
 - (e) None of these
7. Kerala-based NBFC Manappuram Finance will launch its own co-branded prepaid card in the tie-up with _____ to promote digital financial transactions.
 - (a) Canara Bank
 - (b) HDFC Bank
 - (c) **Yes Bank**
 - (d) ICICI Bank
 - (e) None of these
8. IMPS is an instant interbank electronic fund transfer service through mobile phones. IMPS stands for
 - (a) Indian Mobile Payment Service
 - (b) Immediate Payment System
 - (c) **Immediate Payment Service**
 - (d) Immediate Product Service
 - (e) None of these
9. Which of the following agencies developed the Unified Payments Interface?
 - (a) RBI
 - (b) **National Payments Corporation of India**
 - (c) Department of Electronics & Information Technology
 - (d) None of these

BANKING OMBUDSMAN

The Banking Ombudsman is a senior official appointed by India's Central Bank i.e. Reserve Bank of India (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 up to July 1, 2017).

Banking Ombudsman Scheme

- The Banking Ombudsman Scheme is an expeditious and inexpensive forum for 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 Reserve Bank of India (RBI) with effect from 1995.
- Banking Ombudsman Scheme 2006 (as amended upto July 1, 2017) is in operation currently.

Scheme Coverage

Banking Ombudsman Scheme 2006 covers following banks,

- All Scheduled Commercial Banks
- Regional Rural Banks (RRBs)
- Scheduled Primary Co-operative Banks

Currently 20 Banking Ombudsmen have been appointed with their offices located mostly in state capitals.

Grounds of complaints

The Banking Ombudsman can receive and consider any complaint relating to the deficiency in banking services.

Other than loans and advances

Some of these service deficiencies (other than loans and advances) include-

- failure to issue or delay in issue of drafts, pay orders or bankers' cheques;
- non-adherence to prescribed working hours;
- refusal to open deposit accounts without any valid reason for refusal;
- levying of charges without adequate prior notice to the customer;
- failure to provide or delay in providing a banking facility (other than loans and advances);
- refusal to close or delay in closing the accounts;
- non-adherence to the fair practices code as adopted by the bank;
- forced closure of deposit accounts without due notice or without sufficient reason;
- non-observance of reserve bank guidelines on engagement of recovery agents by banks;
- complaints from NRIs having accounts in India in relation to their remittances from abroad, deposits and other bank related matters;
- non-adherence to the instructions of RBI on ATM / debit card and prepaid card operations
- non-adherence by the bank or its subsidiaries to the instructions of reserve bank on credit card operations
- non-adherence to the instructions of Reserve bank with regard to mobile banking / electronic banking service in India by the bank

- non-disbursement or delay in disbursement of pension
- refusal to accept or delay in accepting payment towards taxes,
- non-adherence to reserve bank guidelines on insurance / mutual fund / other third party investment products by banks
- any other matter relating to the violation of the directives issued by the reserve bank in relation to banking or other services.

Related to Loans and advances

In addition to above mentioned deficiencies in services a customer can also lodge a complaint on the following grounds of deficiency in service with respect to loans and advances

- non-observance of reserve bank directives on interest rates;
- delays in sanction, disbursement or non-observance of prescribed time schedule for disposal of loan applications;
- non-acceptance of application for loans without furnishing valid reasons to the applicant; and
- non-adherence to the provisions of the fair practices code for lenders as adopted by the bank or code of bank's commitment to customers, as the case may be;
- non-observance of any other direction or instruction of the reserve bank as may be specified by the reserve bank for this purpose from time to time.
 - The banking ombudsman may also deal with such other matter as may be specified by the reserve bank from time to time.
 - 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.

NBFCs OMBUDSMAN

In addition to the Ombudsman for the Banks the Reserve Bank of India (RBI) has introduced an Ombudsman Scheme for customers of Non-Banking Financial Companies (NBFCs) too. The Ombudsman Scheme for Non-Banking Financial Companies, 2018 (the Scheme), is an expeditious and cost free apex level mechanism for resolution of complaints of customers of NBFCs, relating to certain services rendered by NBFCs. The Scheme is being introduced under Section 45 L of the Reserve Bank of India Act, 1934, with effect from February 23, 2018.

NBFCs, as defined in Section 45-I (f) of the Reserve Bank of India Act, 1934 and registered with the RBI under Section 45-IA of the Reserve Bank of India Act, 1934, which (a) are authorised 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 the 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, and would be gradually extended to cover other identified NBFCs.

Appointments and duty of NBFCs Ombudsman

The NBFC Ombudsman is a senior official appointed by the Reserve Bank of India to redress customer complaints against NBFCs for deficiency in certain services covered under the grounds of complaint specified under Clause 8 of the Scheme.

Location of NBFCs Ombudsman

NBFC Ombudsman have been appointed with their offices located at

- Chennai,
- Kolkata,
- New Delhi and
- Mumbai.

Grounds of complaints with NBFCs Ombudsman

As per Clause 8 of the Scheme, the NBFC Ombudsman can receive and consider any complaint on the following grounds:

- non-payment or inordinate delay in the payment of interest on deposits;
- non-adherence to the Reserve Bank directives, if any, applicable to rate of interest on deposits;
- non-repayment or inordinate delay in the repayment of deposits;
- non-presentation or inordinate delay in the presentation of post-dated cheques provided by the customer;
- failure to convey in writing, the amount of loan sanctioned along with terms and conditions including annualised rate of interest and method of application thereof;
- failure or refusal to provide sanction letter/ terms and conditions of sanction in vernacular language or a language as understood by the borrower;
- failure or refusal to provide adequate notice on proposed changes being made in sanctioned terms and conditions in vernacular language as understood by the borrower;
- failure or inordinate delay in releasing the securities/ documents to the borrower on repayment of all dues;
- levying of charges without adequate prior notice to the borrower/customer;
- failure to provide legally enforceable built-in repossession clause in the contract/ loan agreement;
- failure to ensure transparency in the contract/ loan agreement regarding (i) notice period before taking possession of security; (ii) circumstances under which the notice period can be waived; (iii) the procedure for taking possession of the security; (iv) provision of final chance to be given to the borrower for repayment of loan before the sale/ auction of the

security; (v) the procedure for giving repossession to the borrower and (vi) the procedure for sale/ auction of the security;

- non-observance of directions issued by Reserve Bank to the NBFCs;
- non-adherence to any of the other provisions of Reserve Bank Guidelines on Fair Practices Code for NBFCs.
- The Ombudsman may also deal with such other matter as may be specified by the Reserve Bank from time to time.

For redressal of grievance, the complainant must first approach the concerned NBFC. If the NBFC does not reply within a period of one month after receipt of the complaint, or the NBFC rejects the complaint, or if the complainant is not satisfied with the reply given by the NBFC, the complainant can file the complaint with the NBFC Ombudsman under whose jurisdiction the branch/ registered office of the NBFC falls.

Appellate Authority

- One can file 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.
- The Appellate Authority may, if he/ she is satisfied that the applicant had sufficient cause for not making an application for appeal within time, also allow a further period not exceeding 30 days.

The appellate authority may act as given under:

- dismiss the appeal; or
- allow the appeal and set aside the Award; or
- send the matter to the NBFC Ombudsman for fresh disposal in accordance with such directions as the Appellate Authority may consider necessary or proper; or
- modify the Award and pass such directions as may be necessary to give effect to the modified award; or
- pass any other order as it may deem fit.

PAST YEAR MCQs

1. Any party that is registered under section _____ (43 of 1951) and has secured at least 1% of the votes polled in the most recent General elections or Assembly elections is eligible to receive Electoral Bonds.
(IBPS PO Main-2019)
 - (a) 29 of the Representation of the Peoples Act, 1951
 - (b) 29A of the Representation of the Peoples Act, 1951
 - (c) 29B of the Representation of the Peoples Act, 1951
 - (d) 29C of the Representation of the Peoples Act, 1951
 - (e) 29D of the Representation of the Peoples Act, 1951

2. What is the cap on individual cash donation to political parties as Election Bond cash money?
(IBPS RRB PO Main-2019)
 - (a) ₹ 1000
 - (b) ₹ 2000
 - (c) ₹ 2500
 - (d) ₹ 3000
 - (e) ₹ 4000

3. Banking ombudsmen is appointed by
(IBPS PO Main 2015)
 - (a) SBI
 - (b) Indian Government
 - (c) RBI
 - (d) President
 - (e) Prime minister

4. Which is a hybrid security, combining features of preferred stock and corporate bonds?
(SBI PO Main 2016)
 - (a) UPI
 - (b) NPCI
 - (c) NEFT
 - (d) MIPS
 - (e) RTGS

5. Who was the chairman of a working group on Social Stock Exchange constituted by SEBI?
(IBPS PO Main-2019)
 - (a) Bibek Debroy
 - (b) Ajay Tyagi
 - (c) Ishaat Hussain
 - (d) Suresh Mathur
 - (e) Amitabh Kant

6. Commercial paper is an unsecured promissory note with a fixed maturity of not more than-
(SBI Clerk Main-2019)
 - (a) 300 days
 - (b) 365 days
 - (c) 235 days
 - (d) 290 days
 - (e) 270 days

7. Persons resident in India as defined under Foreign Exchange Management Act, 1999 are eligible to invest in Sovereign Gold Bond (SGB). Eligible investors include Individuals, HUFs, trusts, _____ and charitable institutions.
(SBI PO Main-2019)
 - (a) Universities
 - (b) PSBs
 - (c) NBFC
 - (d) Foreign customers
 - (e) Leaders

ANSWER KEYS

1.	(b)	2.	(b)	3.	(c)	4.	(d)	5.	(c)
6.	(c)	7.	(c)						

PRACTICE MCQs

1. The Banking Ombudsman Scheme was introduced under:
 - (a) Banking Regulation Act, 1935
 - (b) **Banking Regulation Act, 1949**
 - (c) Banking Regulation Act, 1985
 - (d) Banking Regulation Act, 1998
 - (e) None of these
2. Banking Ombudsman is appointed for
 - (a) handling and redressal of banks complaints against customers' behaviour
 - (b) **handling and redressal of customers' complaints against deficiency in certain banking services**
 - (c) providing decision on important banking operations like - CRR, SLR and MSF etc.
 - (d) All of the above
 - (e) None of these
3. Who will settle the grievances of customers of banks?
 - (a) Reserve Bank of India
 - (b) State Bank of India
 - (c) Local Courts
 - (d) **Ombudsman**
 - (e) Governor of RBI
4. Who introduced the Banking Ombudsmen Scheme?
 - (a) **RBI**
- (b) SBI
- (c) Ministry of Finance
- (d) NABARD
- (e) None of these
5. When was current Ombudsman Scheme first introduced?
 - (a) November 2006
 - (b) October 1981
 - (c) **January 2006**
 - (d) January 1998
 - (e) July 1996
6. Banking Ombudsman Scheme is applicable to the business of
 - (a) all scheduled commercial banks excluding RRBs
 - (b) **all scheduled commercial banks including RRBs**
 - (c) only public sector banks
 - (d) all banking companies
 - (e) all scheduled banks except private banks
7. Who is a banking ombudsman?
 - (a) The chief vigilance officer of a bank
 - (b) The chairman of a bank
 - (c) An official in the Finance Ministry, Government of India
 - (d) **An independent authority appointed by RBI to address customer complaints**
 - (e) None of these

ANSWER KEYS

1.	(b)	2.	(b)	3.	(d)	4.	(a)	5.	(c)
6.	(b)	7.	(d)						

World Bank- IMF-IDA-ADB-NDB-AIIB

WORLD BANK

The World Bank is an international organization dedicated to providing financing, advice, and research to developing nations to aid their economic advancement. The bank predominantly acts as an organization that attempts to fight poverty by offering developmental assistance to middle- and low-income countries.

Functions of World Bank

The World Bank is a provider of financial and technical assistance to individual countries around the globe. The bank considers itself a unique financial institution that sets up partnerships to reduce poverty and support economic development.

The World Bank supplies qualifying governments with low-interest loans, zero-interest credits, and grants, all for the purpose of supporting the development of individual economies. Debt borrowings and cash infusions help with global education, healthcare, public administration, infrastructure, and private-sector development.

The World Bank also shares information with various entities through policy advice, research and analysis, and technical assistance. It offers advice and training for both the public and private sectors.

- The World Bank is dedicated to providing financing, advice, and research to developing nations to aid their economic advancement.
- The World Bank and International Monetary Fund were founded simultaneously under the Bretton-Woods Agreement with generally the same focus to help serve international governments globally.
- The World Bank Group offers a multitude of proprietary financial assistance products and solutions for international governments as well as a range of research-based thought leadership for the global economy at large.

Headquarters

The World Bank is headquartered in Washington, D.C. The World Bank currently has more than 10,000 employees in more than 170 countries with 189 member countries.

World Bank Group

Through the years, the World Bank has expanded from a single institution to a group of five unique and cooperative institutional organizations, known as the World Banks or collectively as the World Bank Group.

S.No.	Organization	Functions
1	International Bank for Reconstruction and Development (IBRD)	Provides debt financing to middle income countries
2	International Development Association (IDA)	Provides interest-free loans to the governments of poor countries.
3	The International Finance Corporation (IFC)	Provides developing countries with investment financing and financial advisory services.
4	International Centre for Settlement of Investment Disputes (ICSID)	Provides arbitration on international investment disputes
5	Multilateral Investment Guarantee Agency (MIGA)	Promotes foreign direct investments in developing countries.

INTERNATIONAL MONETARY FUND (IMF)

The International Monetary Fund (IMF) is an organization of 189 countries, working to foster global monetary cooperation, secure financial stability, facilitate international trade, promote high employment and sustainable economic growth, and reduce poverty around the world.

IMF was created in 1945 at the Bretton-Woods Conference. The Bretton-Woods Conference, officially known as the United Nations Monetary and Financial Conference, was a gathering of delegates from 44 nations that met from July 1 to 22, 1944 in Bretton-Woods, New Hampshire, to agree upon a series of new rules for the post-WWII international monetary system. The two major accomplishments of the conference were the creation of the International Monetary Fund (IMF) and the International Bank for Reconstruction and Development (IBRD).

The IMF is governed by and accountable to the 189 countries that make up its near-global membership.

Functions

The IMF's primary purpose is to ensure the stability of the international monetary system—the system of exchange rates and international payments that enables countries

(and their citizens) to transact with each other. The Fund's mandate was updated in 2012 to include all macroeconomic and financial sector issues that bear on global stability.

The IMF has a management team and 17 departments that carry out its country, policy, analytical, and technical work. One department is charged with managing the IMF's resources. This section also explains where the IMF gets its resources and how they are used.

Most resources for IMF loans are provided by member countries, primarily through their payment of quotas.

Headquarters

The headquarters of the International Monetary Fund (IMF) is in Washington, D.C.

INTERNATIONAL DEVELOPMENT ASSOCIATION (IDA)

International Development Association (IDA) is one of the five organizations that form the World Bank Group. IDA is one of the largest sources of assistance for the world's 76 poorest countries and is the single largest source of donor funds for basic social services in these countries. IDA aims to reduce poverty by providing loans and grants for programs that

boost economic growth, reduce inequalities, and improve people's living conditions.

Functions of IDA

IDA lends money on concessional terms. This means that IDA credits have a zero or very low interest charge and repayments are stretched over 30 to 38 years, including a 5- to 10-year grace period. IDA also provides grants to countries at risk of debt distress.

In addition to concessional loans and grants, IDA provides significant levels of debt relief through the Heavily Indebted Poor Countries (HIPC) Initiative and the Multilateral Debt Relief Initiative (MDRI).

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. IDA's work covers primary education, basic health services, clean water and sanitation, agriculture, business climate improvements, infrastructure, and institutional reforms.

IDA complements the World Bank's original lending arm—the International Bank for Reconstruction and Development (IBRD). IBRD was established to function as a self-sustaining business and provides loans and advice to middle-income and credit-worthy poor countries.

Headquarters

The headquarters of the International Development Association (IDA) is in Washington, D.C., United States.

ASIAN DEVELOPMENT BANK (ADB)

The Asian Development Bank (ADB) is a type of regional development bank. ADB 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 ADB was established on 19 December 1966 to promote social and economic development in Asia. The ADB admits the members of the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP) and non-regional developed countries. The member countries of the ADB are now reached up to 68.

Functions

ADB assists its members, and partners, by providing loans, technical assistance, grants, and equity investments to promote social and economic development. *ADB maximizes the development impact of its assistance by facilitating policy dialogues, providing advisory services, and mobilizing financial resources through co-financing operations that tap official, commercial, and export credit sources.*

The Asian Development Bank (ADB) envisions a prosperous, inclusive, resilient, and sustainable Asia and the Pacific, while sustaining its efforts to eradicate extreme poverty in the region. Despite the region's many successes, it remains home to a large share of the world's poor: 263 million living on less than \$1.90 a day and 1.1 billion on less than \$3.20 a day.

Headquarters

The headquarters of Asian Development Bank is located in Mandaluyong, Metro Manila, Philippines.

NEW DEVELOPMENT BANK (NDB)

The NDB is a multilateral development bank established by Brazil, Russia, India, China and South Africa with the objective of financing infrastructure and sustainable development projects in BRICS and other emerging economies and developing countries. During the sixth BRICS Summit in Fortaleza (2014),

the BRICS leaders signed the Agreement establishing the New Development Bank (NDB). Bank's Articles of Agreement specify that all members of the United Nations could be members of the bank, however the share of the BRICS nations can never be less than 55% of voting power.

Functions

The Bank main functions revolve around mobilizing resources for infrastructure and sustainable development projects in BRICS and other emerging economies and developing countries. The bank also provides technical assistance for projects to be supported by the NDB and engage in information, cultural and personnel exchanges with the purpose of contributing to the achievement of environmental and social sustainability.

Headquarters

The headquarters of New Development bank is in **Shanghai**, China.

ASIAN INFRASTRUCTURE INVESTMENT BANK (AIIB)

The Asian Infrastructure Investment Bank (AIIB) is a multilateral development bank with a mission to improve social and economic outcomes in Asia. AIIB began operations in January 2016 and have now grown to 102 approved members worldwide. It was established by a multilateral treaty of AIIB Articles of Agreement. AIIB started with 57 founding members. India is a member of Asian Infrastructure Investment Bank since 2016.

Functions

AIIB functions by investing in sustainable infrastructure and other productive sectors in Asia and beyond. The agenda of the AIIB comprises way to connect people, services and markets that over time will impact the lives of billions and build a better future.

Headquarters

The headquarters of Asian Infrastructure Investment Bank (AIIB) is in **Beijing**, China.

PAST YEAR MCQs

- The Federal Reserve System also known as the Federal Reserve or simply as the Fed is the central banking system of? **(IBPS Clerk 2015)**
 - China
 - France
 - UK
 - USA
 - None of these
- The World Bank, an international financial institution, provides loans to countries of the world for capital projects. Where is it Headquartered? **(IBPS RRB Asst. Main 2018)**
 - New York, USA
 - Geneva, Switzerland
 - Paris, France
 - Washington DC, USA
 - Vienna, Austria
- The European Investment Bank is the European Union's nonprofit long-term lending institution established in 1958 under the Treaty of Rome. Where is the European Investment Bank headquartered? **(IBPS RRB Asst. Main 2018)**
 - Warsaw
 - Luxembourg
 - Sofia
 - Vienna
 - Hungary
- and Commonwealth Bank of Australia (CBA) was the organiser and main buyer of the issue of the "Bondi" bond, short for Blockchain Offered New Debt Instrument. **(SBI PO Main-2019)**
 - World Bank
 - New Development Bank

- (c) Asian Development Bank
 (d) Development Band of Singapore Bank
 (e) Asian Infrastructure Investment Bank
5. Name the **first foreign bank** to set up unit in Gujarat International Finance Tec-City (GIFT). (SBI Clerk Main-2019)
- (a) Citi Bank
 (b) DBS Bank
 (c) HSBC Bank
 (d) Barclays Bank
 (e) **Standard Chartered Bank**

ANSWER KEYS

1.	(d)	2.	(d)	3.	(b)	4.	(a)	5.	(c)
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PRACTICE MCQs

1. Which one of the following countries is the **first borrower** of fund from the International Monetary Fund?
 (a) United States (b) **France**
 (c) Spain (d) India
 (e) Sri Lanka
2. Which one of the following statements is true regarding IMF?
 (a) It is not an agency of UNO
 (b) It can grant loan to any country of the world
 (c) It can grant loan to State Government of a country
 (d) **It grants loan only to member nations**
 (e) All of the above
3. Voting rights in the IMF are distributed on the basis of
 (a) one country, one vote
 (b) proportion to the share of the income of the country in the world income
 (c) proportion to contributions given by each country
 (d) **proportion to quota allotted to countries from time to time**
 (e) None of the above
4. The headquarters of IMF and World Bank are located at
 (a) Geneva and Montreal
 (b) Geneva and Vienna
 (c) New York and Geneva
 (d) **Washington DC**
 (e) Nigeria
5. Which one of the following institutions publish the report of 'World Economic Outlook'?
 (a) IMF (b) World Bank
 (c) RBI (d) UNCTAD
 (e) Citi Bank
6. The capital of IMF is made up by contribution of the
 (a) credit
 (b) deficit financing
 (c) member nations
 (d) borrowing
 (e) All of these
7. Special drawing right is an international practice of drawing funds. Which of the following institutions control this special finding facility?
 (a) World Bank
 (b) Asian Development Bank
 (c) Federal Reserve
 (d) European Common Market
 (e) All of the above

8. "Doing Business" report is released by which of the following organisations every year?
 - (a) Asian Development Bank (ADB)
 - (b) World Bank
 - (c) International Monetary Fund (IMF)
 - (d) World Trade Organisation (WTO)
9. Which of the following regulators has directed banks to swap customer related information so that the frauds and defaults may be prevented in future?
 - (a) Bombay Stock Exchange (BSE)
 - (b) Indian Bank's Association (IBA)
 - (c) Securities & Exchange Board of India (SEBI)
 - (d) Reserve Bank of India (RBI)
10. The International Monetary Fund (IMF) is important because:
 - (a) It has sufficient financial resources to deal with a major global financial crisis.
 - (b) It has sufficient financial resources to help individual countries facing balance of payments problems.
 - (c) Emerging economies can exercise significant influence on it.
 - (d) It fixes exchange rates.
 - (e) None of these.
11. Headquarter of 'World Bank' is located in
 - (a) Geneva, Switzerland
 - (b) Washington D.C, United States
 - (c) Berlin, Germany
 - (d) Brussels, Belgium
 - (e) New York
12. The headquarter of World Trade Organisation is in:
 - (a) Montreal
 - (b) Seattle
 - (c) Geneva
 - (d) The Hague
 - (e) Washington DC
13. The International Development Association, a lending agency is administered by the:
 - (a) International Bank for Reconstruction and Development
 - (b) International Fund of Agricultural Development
 - (c) United Nations Development Programme
 - (d) United Nations Industrial Development Organisation
 - (e) None of these
14. Regarding the International Monetary Fund, which one of the following statements is correct?
 - (a) It can grants loans to any country
 - (b) It can grant loans to only developed countries
 - (c) It grants loan to only member countries
 - (d) It can grants loans to the central bank of a country
 - (e) It grants loans to only European country
15. The main function of the World Trade Organisation (WTO) is:
 - (a) Enforcing of Uruguay Round Agreements
 - (b) Administering trade dispute settlement procedures
 - (c) Facilitating multilateral trade relations of member countries and reviewing trade policies.
 - (d) a and b both
 - (e) None of these
16. Which Indian city has been chosen by the World Bank for setting up its back office operations?
 - (a) Bangaluru
 - (b) Chennai
 - (c) Kolkata
 - (d) New Delhi
 - (e) Mumbai