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**Revised
Edition**

Banking Awareness

**Banking Awareness • Financial Awareness
Indian Economy • Financial & Banking
Current Affairs**

Author

Rakesh Kumar Roshan



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PREFACE

Banking industry plays an important role in the social and economic development of any society. For that reason, banking sector is growing day by day. To fulfill the need of banking sector IBPS, SBI, and RBI conduct various competitive examinations every year to recruit PO(s) and Clerk(s).

In these competitive examination, Banking Awareness is included to test the candidate's practical knowledge and his understanding of the banking system. From analysis of the previous years' question papers, it is established that in this section, question comes from Indian economy, banking and finance.

This book is prepared keeping in mind the trend and pattern of these examinations. We have covered both practical as well as technical aspects of economy, banking, national income and finance. In this book, we have provided concise and authentic study material along with ample multiple choice questions for practice.

We have also provided previous years' questions which will help candidate to understand the type and nature of the questions. Candidates will be able to self evaluate themselves on the basis of the 3 practice sets given in the book.

With above mentioned speciality, this book will surely help candidates to succeed in various competitive examinations.

With best wishes...

Author

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INDIAN BANKING AND ITS HISTORY

A bank is a financial institution that provides banking and other financial services to their customers.

A bank is generally understood as an institution which provides fundamental banking services such as accepting deposits and providing loans.

Banking

Under Section 5(b) of Banking Regulation Act, 1949 of RBI, banking is defined as the acceptance of deposits of money from the public for the purpose of lending and/or investment.

Besides providing basic banking services, banks may also provide financial services such as wealth management, currency exchange and consultancy services.

History of Banking in India

Banking system has been existing in India since ancient times but it was not in organised form before the arrival of Britishers.

Colonial Era

With the advent of colonial European rule, the modern banking system developed gradually in

India. With this, banking facilities were primarily established to support the trading activities of European companies.

The earliest attempt in India to establish a banking institution with some characteristics of Central bank, dates back to January, 1773, when Warren Hastings, the Governor-General of Bengal recommended the establishment of General Bank of Bengal and Bihar.

After the arrival of Britishers in 17th century, foreign banking system started declining. Mayser's Alexander and Company established the first European bank. The Bank of Hindustan in 1770 and became defunct in 1832. The first bank in India, the General Bank of India, was setup in 1786 and it failed in 1791.

Pre-Independence Phase-I

- The first Presidency Bank was the **Bank of Calcutta**, established by East India Company on 2nd June, 1806. The origin of the State Bank of India can be traced back to this bank.
- The second and third Presidency Banks were the **Bank of Bombay** (incorporated on 15th April, 1840) and the **Bank of Madras** (incorporated on 1st July, 1843).

2 BANKING AWARENESS

- **Allahabad Bank** was established, exclusively by Indians, in 1865.
- **Awadh (Oudh) Commercial Bank**, established in 1881, was the first bank governed exclusively by the Indians on the basis of extending loans. It was the first Commercial Bank having limited liability and an entirely Indian Board of Directors. This bank failed in 1958.
- **Punjab National Bank** was setup in 1894 with headquarters in Lahore.
- Bank of India was setup in 1906 by group of leading businessmen with headquarters in Mumbai.
- **Regional Rural Banks (RRBs)** were formed on 2nd October, 1975 on the recommendation of the Narasimham Committee.
- Some apex level banking institutions were also setup like National Bank for Agriculture and Rural Development (NABARD), 1982, Export-Import Bank of India (EXIM), 1982, National Housing Bank (NHB), 1988, Small Industrial Development Bank of India (SIDBI), 1990, etc.
- Over the years, banking sector has witnessed many reforms and structural changes such as payment banks, small finance bank, etc., which are covered in the subsequent chapters.

Pre-Independence Phase-II

- Between 1906 and 1913, **Bank of India** (1906), **Canara Bank** (1906), **Indian Bank** (1907), **Bank of Baroda** (1909), **Central Bank of India** (1911) and **Bank of Mysore** (1913) were setup.
- Banking crisis during 1913-1917 and failure of 588 banks in various parts of the country underlined the need for regulating and controlling the commercial banks.
- All the three Presidency Banks were amalgamated into a single bank, the **Imperial Bank of India**, in 1921.
- The Reserve Bank of India (RBI) established in 1935, acts as a regulator of banking system of India.
- The head office of RBI was established in Calcutta (now Kolkata) but was moved to Bombay (now Mumbai) in 1937.

Post Independence Phase

- Reserve Bank of India was nationalised on 1st January, 1949.
- The largest bank-Imperial Bank was nationalised in 1955 on the recommendation of Gorewala Committee and naming as State Bank of India.
- In 1959, 7 regional banks were nationalised and given the status of **Associate Banks of State Bank of India**.
- On 19th July, 1969, 14 big commercial banks and On 15th April, 1980, 6 other commercial banks were nationalised.

Types of Banking

There are various types of banking which are given below

1. **Branch Banking** It is the most common type of banking system. The banking operations are carried with the help of branch network. Bank's branches are the face of the banks where customers can visit and talk to the officials for getting various services.
2. **Unit Banking** It originated in USA. It is a limited way of banking where banks operate only from a single branch, taking care of the local community. Unit banking may have few branches but in the same area.
3. **Mixed Banking** When the banks undertake activities of commercial and investment banking together, it is called mixed banking. It promotes rapid industrialisation.
4. **Chain Banking** When a group of persons come together to own and control three or more independently chartered banks, it is called chain banking. Their management can also be established via a board of directors.
5. **Wholesale Banking** It involves banking services for high net-worth clients like corporate, commercial banks, mid-size companies, etc. The services which come under the net of wholesale banking involves wholesaling, underwriting, market making, consultancy, mergers and acquisitions, joint ventures and fund management, etc.

6. **Relationship Banking** It involves going beyond the normal banking services and understanding customer's needs before offering him any special product/ service. The knowledge about existing and potential clients is essential for all banks.
7. **Correspondent Banking** It is an arrangement where one bank hold deposits on behalf of the other bank. It plays a crucial role in supporting international trade.
The services which come under this type of banking are cash/fund management, international fund transfers, clearance of cheques, drawing of demand drafts, etc.
8. **Rural Banking** It is simply a banking service that serves smaller, rural communities. It has become integral to the Indian financial markets with a majority of Indian population still living in rural or semi-urban areas.
9. **Universal Banking** It is a system of banking under which big banks undertake a variety of banking services like commercial banking, investment banking, mutual funds, merchant banking and insurance, etc.
In simple words, universal banking means that Financial Institutions (FIs) and banks are allowed to undertake all kinds of activity of banking, financing and related businesses.
10. **Online Banking** It is also known as internet banking. It gives the ability to manage bank account over the internet, using a computer or mobile device. It is an internet-based option offered by regular banks. There is no need to visit a bank branch in this type of banking. Bill payment, fund transfer, viewing account balance, bank statements, etc. are the services provided under this banking. In general, this type of banking have no physical branch location.
11. **Retail Banking** It works with individual customers rather than companies or firms offering basic banking services. It is also known as consumer banking.
It includes a wide range of banking services that belong to similar categories, such as saving accounts, checking accounts, consumer lending, credit cards, debit cards, e-banking services, etc.
12. **Narrow Banking** It is very much an antonym to the universal banking. Narrow banking means narrow in the sense of engagement of funds and not in activities.
In India, Tarapore Committee is best known for giving the concept of narrow banking as a solution to the problem of Non-Performing Assets (NPA).
13. **Social Banking** The concept of social banking was to provide banking for the poor population. It works for their development needs, providing them with easy formal credit, minimum requirements to open accounts, ease of access and friendly staff, etc.
14. **Virtual Banking** Virtual banking also known as Direct Bank. It is a bank without any branch network, that offers its services remotely via online banking and telephone banking or through an independent banking agent network and may also provide access via ATMs, Mail and Mobile.
All transactions of the bank are done only online under this banking. There are no physical branches of virtual banks.



QUESTION BANK

- 1.** The earliest attempt to set up in India a banking institution with some characteristics of central bank dates back to January, 1773 when Warren Hastings, Governor of Bengal (later Governor General) recommended the establishment of [RBI Assistant 2013]
(a) Presidency Bank
(b) Reserve Bank of India
(c) Imperial Bank of India
(d) General Bank of Bengal and Bihar
(e) None of the above
- 2.** Which was the first European bank in India?
(a) Presidency Bank
(b) Imperial Bank
(c) Awadh Bank
(d) Bank of Mysore
(e) Bank of Hindustan
- 3.** The origin of the State Bank of India goes back to the first decade of the 19th century with the establishment of
(a) Bank of Calcutta (b) Bank of Bengal
(c) Bank of Bombay (d) Bank of Madras
(e) None of these
- 4.** Which one of the following was the first bank governed exclusively by the Indians?
(a) Imperial Bank of India
(b) State Bank of India
(c) Awadh Commercial Bank
(d) Reserve Bank of India
(e) National Bank
- 5.** In India, the first bank of limited liabilities managed by Indians and founded in 1881 was
(a) Hindustan Commercial Bank
(b) Oudh Commercial Bank
(c) Punjab National Bank
(d) Punjab and Sind Bank
(e) National Bank
- 6.** The Bank of India was constituted in
(a) 1906 (b) 1949
(c) 1955 (d) 1956
(e) None of these
- 7.** 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
- 8.** Name the committee which recommended nationalisation of Imperial Bank of India in 1955?
(a) Gadgil Committee
(b) Gorewala Committee
(c) Mahalanobis Committee
(d) Santhanam Committee
(e) IG Patel Committee
- 9.** The Bank of Baroda was founded in
(a) 1906 (b) 1909 (c) 1911 (d) 1913
(e) 1928
- 10.** Which among the following committee recommended the establishment of Regional Rural Banks (RRBs)?
(a) Narasimham Committee
(b) B.N. Shrikrishna Committee
(c) Dantewala Committee
(d) S.R. Hashim Committee
(e) Gadgil Committee
- 11.** When was Imperial Bank changed as State Bank of India?
(a) 1st January, 1935 (b) 26th February, 1947
(c) 1st July, 1955 (d) 1st July, 1959
(e) 26th February, 1955
- 12.** Imperial Banks were amalgamated and changed as
(a) Reserve Bank of India
(b) State Bank of India
(c) Subsidiary Banks
(d) Union Bank of India
(e) Corporation Bank

INDIAN BANKING STRUCTURE

Indian banking structure is a network of institutions that provide financial services within the country. Indian banking industry has been divided into two parts i.e., organised sector and unorganised sector.

1. **Organised Sector** This sector includes the institutions whose parts and activities are systematically coordinated by the monetary authority. It comprises of the following

(i) **Reserve Bank of India** It is the apex financial and regulatory authority of India and is responsible for the issue and supply of currency and the regulation of the Indian bankings system.

(ii) **Commercial Bank** This is a financial institution providing banking and financial services for businesses, organisations and individuals. Commercial banks dominate the organised sector.

It includes Public Sector Banks (SBI + Nationalised Banks + Regional Rural Banks) and Private Sector Banks, all scheduled and non-scheduled banks along with foreign banks.

(iii) **Co-operative Banks** They are a part of the co-operative credit institutions.

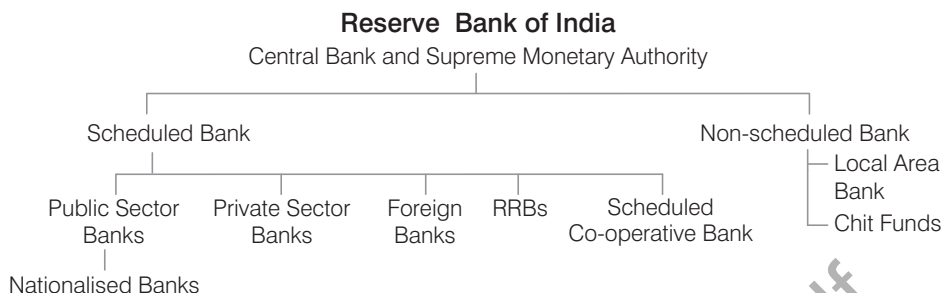
2. **Unorganised Sector** These are the institutions whose activities are not systematically coordinated by the monetary authority.

This sector consists of indigenous bankers, money lenders, small time borrowings and Nidhis, etc.

Central Banks

- Central banks are bankers' banks. They guarantee stable monetary and financial policy from country to country and play an important role in the economy of the country.
- Typical functions of Central Banks includes implementing monetary policy, managing foreign exchange and gold reserves, making decisions regarding official interest rates, acting as banker to the government and other banks, and regulating and supervising the banking industry.
- These banks buy government debt, have a monopoly on the issuance of paper money and often act as a lender of last resort to commercial banks.
- It controls and coordinates currency and credit policies of any country.

- The **Reserve Bank of India** is the Central Bank of India.



1. Scheduled Banks

Scheduled banks in India are those banks which have been included in the Second Schedule of Reserve Bank of India (RBI) Act, 1934.

Reserve Bank of India (RBI) in turn includes only those banks in this schedule which satisfy the criteria mentioned in Section 42(6) (a) of the Reserve Bank of India Act, 1934.

Criteria for Scheduled Banks are

- Scheduled banks are those banks whose minimum paid up capital and reserve amount is upto ₹ 5 lakh.
- These banks have to submit details of their activities to the Reserve Bank of India every week.

2. Non-scheduled Banks

Non-scheduled banks are those which have not been included in the Second Schedule of the RBI Act.

Non-scheduled banks are also subject to the statutory cash reserve requirement. Contrary to the Scheduled Bank which keep their Cash Reserve Ratio with RBI, the Non-scheduled Banks maintain their Cash Reserve Ratio (CRR) with themselves.

They are not entitled to borrow from the RBI for normal banking purposes, though they may approach the RBI for accommodation under abnormal circumstances.

Scheduled Banks in India

Public Sector Banks

Public Sector Banks (PSBs) are the banks in which the government have a major share (51% or above). By default all PSBs are commercial bank. A commercial bank is defined as a bank whose main business is taking deposit and giving loan. The major focus of Public Sector Banks is to serve the people rather than to earn profit.

Following is the list of Public Sector Banks in India

1. State Bank of India (56.92%)
2. Punjab National Bank (85.59%)
3. Bank of Baroda (71.60%)
4. Canara Bank (78.52%)
5. Union Bank of India (89.07%)
6. India Bank (88.06%)
7. Bank of India (89.10%)
8. Central Bank of India (92.39%)
9. Indian Overseas Bank (95.84%)
10. UCO Bank (94.39%)
11. Bank of Maharashtra (92.49%)
12. Punjab and Sind Bank (83.06%)

(* Government Shareholding in %)

As on 1st January, 2021

Nationalisation of Public Sector Banks

- All nationalised bank comes under the public sector banks and all are commercial banks. The nationalisation of commercial banks took place

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with an aim to achieve social welfare, controlling private monopolies, expansion of banking, reducing regional imbalance, priority sector lending and developing banking habits.

- In order to have more control over banks, on 19th July, 1969, Mrs Indira Gandhi, the then Prime Minister nationalised 14 large commercial banks whose reserves were more than ₹ 50 crore.

Following is the list of banks, which got nationalised in 1969

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

On 15th April, 1980 the banks with more than ₹ 200 crore of reserves got nationalised.

The six banks were nationalised to provide better credit control of government over the financial sector of the economy. These banks are

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

Merger of Nationalised Banks

The Indian Government adopted the New Economic Policy in 1991, it envisaged greater role of banking sector for the development of the country. In order to provide better economy of scale, government adopted the policy of merger of nationalised bank which was carried in 1993, 2017, 2019 and 2020.

- Merger of New Bank of India and Punjab National Bank. In 1993, the government merged New Bank of India with Punjab National Bank. It was the first merger between the nationalised banks.

Associated Banks of SBI and their Mergers

- In 1959, the government passed the State Bank of India (Subsidiary Banks) Act. Under this Act, **8 SBI subsidiaries** were made.
- In 1963, SBI merged State Bank of Jaipur (founded in 1943) and State Bank of Bikaner (founded in 1944) to form State Bank of Bikaner and Jaipur.
- State Bank of Saurashtra merged with SBI in 2008.
- In 2010, the State Bank of Indore (founded in 1920) also merged with SBI leaving the associate banks of SBI to 5 in number.
- On 1st April, 2017, five associate banks of State Bank of India and Mahila Bank merged with SBI.
- The State Bank (Repeal and Amendment) Act, 2018 provided legislative clearance to the merger of five subsidiary banks with SBI.

Bharatiya Mahila Bank (BMB) which was merged with SBI in 2017 was founded on 19th November, 2013 by an Act of Parliament. The first branch of this bank was inaugurated by former Prime Minister, Manmohan Singh, with its headquarters in Mumbai. It focused on providing banking facilities exclusively to women. As of January, 2021, it is a fully owned subsidiary of State Bank of India (SBI).

- **Merger of Vijaya Bank and Dena Bank** Vijaya Bank and Dena Bank merged with Bank of Baroda (BoB) on 1st April, 2019. This merger has created BoB as the 3rd largest public sector of India.
- **Merger of Nationalised Banks in 2020** Government of India has merged Allahabad Bank with **Indian Bank**, Oriental Bank of Commerce (OBC) and United Bank of India with **Punjab National Bank**, Syndicate Bank with **Canara Bank** and Corporation Bank and Andhra Bank with **Union Bank of India** on 1st April, 2020. After this merger, there are only 12 Nationalised Banks in India.

Private Banks

Private banks are banks owned by either an individual or a general partner(s) with limited partner(s), but the licence is provided by the Reserve Bank of India.

Recently, Reserve Bank suggested many guidelines for the establishment of Private Sector Banks. They are as follows

- Only Indian Nationals can open a Private Sector Bank.
- The minimum paid up capital for bank should be ₹ 500 million.
- Within 2 years after foundation, bank should be listed in stock exchange.
- Bank cannot be established by companies engaged in stock market and real estate.
- Public sector cannot establish a private bank.

Types of Private Banks

There are two types of private banks

1. **Old Private Sector Bank** The banks, which were not nationalised at the time of nationalisation of banks that took place during 1969 are known as the old private sector banks. These were not nationalised, because of their small size and regional focus.
2. **New Private Sector Bank** The banks, which came into operation after 1991, with the introduction of economic reforms and financial sector reforms are known as new private sector banks.

Banking Regulation Act was then amended in 1993, which permitted the entry of new private sector banks in the Indian Banking Sector.

The Centurion Bank of Punjab was acquired by HDFC in 2008. In 2015, Kotak Mahindra Bank merged with ING Vyasa Bank.

Bandhan Finance in 2015 was granted Universal Banking Licence by RBI. The punchline of this bank is Apna Bhala, Sabki Bhalai. There are total 21, Indian private banks (as of June, 2021)

List of Private Banks in India

Bank's Name	Established	Headquarters
City Union Bank	1904 (New)	Thanjavur, Tamil Nadu
Karur Vysya Bank	1916	Karur, Tamil Nadu
CSB Bank	1920	Thrissur, Kerala
Tamilnad Mercantile Bank	1921	Thoothukudi, Tamil Nadu
Nainital Bank	1922	Nainital, Uttarakhand
Karnataka Bank	1924	Mangaluru, Karnataka
Dhanlaxmi Bank	1927	Thrissur, Kerala
South Indian Bank	1929	Thrissur, Kerala
DCB Bank	1930	Mumbai, Maharashtra
Federal Bank	1931	Kochi, Kerala
Jammu and Kashmir Bank	1938	Srinagar, Jammu and Kashmir
RBL Bank	1943	Mumbai, Maharashtra
IDBI Bank	1964 (New)	Mumbai, Maharashtra
Axis Bank (formally known as UTI)	1993 (New)	Mumbai, Maharashtra
HDFC Bank	1994 (New)	Mumbai, Maharashtra
ICICI Bank	1994 (New)	Mumbai, Maharashtra
IndusInd Bank	1994 (New)	Mumbai, Maharashtra
Kotak Mahindra Bank	2003 (New)	Mumbai, Maharashtra
Yes Bank	2004 (New)	Mumbai, Maharashtra
Bandhan Bank	2015 (New)	Kolkata, West Bengal
IDFC First Bank	2015 (New)	Mumbai, Maharashtra

Foreign Banks

Foreign banks are allowed to operate in India through branches and representative offices.

A new foreign bank desirous of opening a branch in India, is required to apply to Reserve Bank of India giving relevant information about its shareholders, financial position and the dealings with Indian parties. The largest branch network of foreign banks in India is that of Standard Chartered Bank (96) followed by HSBC Limited (50), Citibank (42) and the Royal Bank of Scotland NV (31).

Regional Rural Banks (RRBs)

In 1976, the Parliament enacted the Regional Rural Banks Act, 1976 to provide for the incorporation, regulation and winding up of Regional Rural Banks. The Act has been made effective from 26th September, 1975.

The RRBs were established on the recommendations of the **Narsimham Committee**.

Besides the Reserve Bank, which is the regulatory authority for the RRBs in accordance with the provisions of the **Banking Regulations Act, 1949**, the Banking Regulations Act empowers NABARD (National Bank for Agriculture and Rural Development) to undertake the inspection of RRBs.

They can provide remittance facilities, traveller cheques and other instruments to customers by entering into arrangements with sponsor banks. They can also provide locker facility.

The development process of RRBs started on 2nd October, 1975, Gandhi Jayanti with the forming of 5 RRBs. The equity of the RRBs is contributed by the Central Government, concerned State Government and the sponsor bank in the proportion of 50:15:35.

Prathama Bank, with head office in Moradabad (UP) was the first RRB. It was sponsored by Syndicate Bank (now, Canara Bank) and had an authorised of ₹ 5 crore. The states and UTs, where there is no presence of RRBs are Goa, Sikkim, Delhi, Chandigarh, Andaman and Nicobar Islands, Lakshadweep, Dadra and Nagar Haveli, Daman and Diu. There are 43 RRBs in India (March, 2020).

The Regional Rural Banks (Amendment) Act, 2015

This act was passed to amend the original Act of 1976 to widen the capital base of Regional Rural Banks and strengthen their capabilities. The key amendments are

- Limit of five years have been removed regarding the financial and managerial support provided by the sponsor banks to RRBs. Now they can support beyond this duration.
- Amount of authorised capital has been raised to ₹ 2000 crore and the same should not be reduced below ₹ 1 crore.
- Now the RRBs can raise capital from sources other than central and state government and sponsor banks.
- RRB's are mandated to fix the combined shareholding of central government and sponsor bank upto 51%.
- The person who is a director of one RRB is not eligible to be on the Board of Directors of another such bank.
- The tenure of such director has been increased to 3 years from 2 years and he hold office during the pleasure of the central government.

Primary Credit Societies (PCS) are formed at the village or town level. The borrowing and non-borrowing members are decided in one locality and the operation of it is restricted to that area or locality only.

Co-operative Banks

Co-operative banks operate in both urban and rural areas. All banks registered under the Co-operative Societies Act, 1912 are considered as co-operative banks.

Commercial banks, are driven by profit while co-operative banks work on a no-profit, no-loss basis. These are regulated by the Reserve Bank of India under the Banking Regulation Act, 1949 and Banking Laws (Application to Co-operative Societies) Act, 1965.

There are two types of co-operative banks.

1. **State Co-operative Banks (SCBs)** mean the principal co-operative society in a state, the primary object of which is the financing of other co-operative societies in the state.
These are the apex co-operative banks of the state.
2. **District/Central Urban Co-operative Banks**
UCBs are registered under the Co-operative

Societies Act of the respective State Governments. The Central Co-operative Banks are in direct touch with State Co-operative Banks.

UCBs having a multi-state presence are registered under the Multi-State Co-operative Societies Act and are regulated by the Central Government. It serve as a link between PCS and SCBs.

Nationalised Banks of India

1.



Headquarters *Baroda*
Founded *20th July, 1908*
Nationalisation *1969*
Punch Line *India's International Bank*

2.



Headquarters *Mumbai*
Founded *7th September, 1906*
Nationalisation *1969*
Punch Line *Relationships Beyond Banking*

3.



Headquarters *Pune*
Founded *16th September, 1935*
Nationalisation *1969*
Punch Line *One Family One Bank*

4.



Headquarters *Bengaluru*
Founded *1906*
Nationalisation *1969*
Punch Line *It's easy to change for those who you love; Together we can*

5.



Headquarters *Mumbai*
Founded *21st December, 1911*
Nationalisation *1969*
Punch Line *Build A Better Life Around Us*

6.



Headquarters *Chennai*
Founded *5th March, 1907*
Nationalisation *1969*
Punch Line *'Taking Banking Technology to Common man, your tech-friendly bank*

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7.



Indian Overseas Bank

Headquarters *Chennai*
Founded *1937*
Nationalisation *1969*
Punch Line *Good People to Grow with*

8.



Punjab & Sind Bank

पो. एस. बी.

Headquarters *New Delhi*
Founded *24th June, 1908*
Nationalisation *1980*
Punch Line *Where Service is a Way of Life*

9.



punjab national bank

...the name you can BANK upon!

Headquarters *New Delhi*
Founded *1895*
Nationalisation *1969*
Punch Line *The Name you can Bank Upon*

10. State Bank of India



Founded & Nationalisation *1st July, 1955*
Headquarters *Mumbai, Maharashtra, India*
Area served *Worldwide*
Punch Line *Pure Banking Nothing Else*

11.



UCO BANK

Headquarters *Kolkata*
Founded *6th January, 1943*
Nationalisation *1969*
Punch Line *Honors Your Trust*

12.



Union Bank of India

Headquarters *Mumbai*
Founded *11th November, 1919*
Nationalisation *1969*
Punch Line *Good People to Bank With*

QUESTION BANK

1. Which of the following is not a part of organised sector banking of India?
[IBPS Clerk 2020]
(a) RBI (b) SBI (c) Nidhis (d) PNB
(e) RRB
2. Which of the following bank is generally not considered as Commercial bank?
[SBI PO Mains 2017]
(a) Public Sector Bank (b) Private Sector Bank
(c) Development Bank (d) Foreign Bank
(e) None of these
3. Which of the following is not an organised sector in India?
(a) Nationalised Banks
(b) Regional Rural Banks
(c) Cooperative Banks
(d) Chits and Money Lenders
(e) Industrial Bank
4. 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 the above
5. Bankers of the Bank is
(a) PSC (b) RBI (c) RRB (d) PNB
(e) All of these
6. Which of the following statement is correct?
(a) The Central Bank is inspired by the spirit of national welfare
(b) The Central Bank is inspired exclusively by the profit-motive
(c) The Central Bank is inspired by the new technology
(d) All of the above
(e) None of the above
7. A scheduled bank is the one which is included in the
(a) II Schedule of Banking Regulation Act
(b) II Schedule of the Constitution
(c) II Schedule of RBI Act
(d) None of the above
(e) All of the above
8. Section 42(6) (a) of the RBI Act, 1934 is related to
(a) Organised sector and unorganised sector
(b) Unorganised sector only
(c) Scheduled Bank
(d) Non-scheduled Banks
(e) None of the above
9. Scheduled banks have to submit details of their activities to the RBI
(a) every month (b) every year
(c) every day (d) every week
(e) None of these
10. Which of the following is not a public sector bank?
[SBI Clerk 2012]
(a) Corporation Bank (b) United Bank of India
(c) Vijaya Bank (d) Bank of Maharashtra
(e) Federal Bank
11. Presently, the number of the public sector banks in India is
(a) 8 (b) 20 (c) 28 (d) 12
(e) None of these
12. First merger of nationalised bank occurred in
(a) 1993 (b) 1999 (c) 2000 (d) 2017
(e) 2019
13. The first nationalisation of banks exercise was done on
(a) 19th June, 1969 (b) 19th June, 1970
(c) 19th June, 1967 (d) 15th July, 1967
(e) None of these
14. How many banks were first nationalised?
(a) 10 (b) 12 (c) 14 (d) 16
(e) 24
15. What was the deposits criteria of 14 banks nationalised on 19th July, 1969?
(a) ₹ 1000 crore (b) ₹ 500 crore
(c) ₹ 100 crore (d) ₹ 50 crore
(e) None of these
16. Nationalisation of banks aimed at all of the following except
[IBPS PO 2015]
(a) provision of adequate credit for agriculture, SME and exports
(b) removal of control by a few capitalists

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- (c) provision of credit to big industries only
(d) access of banking to masses
(e) encouragement of a new class of entrepreneurs
- 17.** In the year 1980, the second phase of nationalisation of Indian banks took place. Choose the correct statement.
(a) 6 more banks were nationalised with deposits over ₹ 200 crores
(b) The Government of India held a control over 91% of the banking industry in India
(c) After the nationalisation of banks there was a huge jump in the deposits and advances with the banks
(d) All of the above
(e) None of the above
- 18.** The second phase of bank nationalisation took place in 1980 during the prime ministerial tenure of Indira Gandhi. Which bank was nationalised in this period?
(a) Indian Overseas Bank
(b) Central Bank of India
(c) Canara Bank
(d) Vijaya Bank
(e) Dena Bank
- 19.** How many banks were nationalised in 1980?
(a) 4 (b) 5 (c) 6 (d) 7 (e) 9
- 20.** When was the second phase of nationalisation done?
(a) 9th July, 1969 (b) 10th July, 1968
(c) 16th August, 1985 (d) 15th April, 1980
(e) None of these
- 21.** How many banks which were nationalised in 1980's are currently working?
(a) 4 (b) 5 (c) 6 (d) 8 (e) 9
- 22.** The five associate banks of State Bank of India and Mahila Bank merged with SBI on
(a) 1st January, 2017 (b) 1st March, 2017
(c) 1st April, 2017 (d) 1st April, 2018
(e) 1st January, 2018
- 23.** Who inaugurated the Bharatiya Mahila Bank? [SBI Clerk 2014]
(a) Sonia Gandhi (b) P Chidambaram
(c) Manmohan Singh (d) D Subbarao
(e) None of these
- 24.** Vijaya Bank and Dena Bank merged with
(a) PNB [SBI PO 2020]
(b) Union Bank of India
(c) Oriental Bank of Commerce
(d) State Bank of India
(e) Bank of Baroda
- 25.** Merger of two nationalised banks with BOB occurred in
(a) 2016 (b) 2017 (c) 2018 (d) 2019
(e) 2020
- 26.** Government has merged Allahabad Bank with
(a) Indian Bank (b) Dena Bank
(c) Canara Bank (d) PNB
(e) Union Bank of India
- 27.** Presently, the number of the Nationalised banks in India is
(a) 10 (b) 12 (c) 16 (d) 20
(e) 21
- 28.** Which of the following banks has acquired the title 'Centurion Bank of Punjab'?
(a) ICICI Bank (b) IDBI Bank
(c) HDFC Bank (d) AXIS Bank
(e) None of these
- 29.** IDBI headquarter is established in [IBPS Clerk 2015; SBI Clerk 2016]
(a) Hyderabad (b) Chennai
(c) Bengaluru (d) Kolkata
(e) Mumbai
- 30.** AXIS Bank was formerly known as [SBI Clerk 2014]
(a) YES Bank (b) UTI Bank
(c) City Union Bank (d) HDFC Bank
(e) Centurian Bank
- 31.** When was HDFC bank established?
(a) 1935 (b) 1969 (c) 1975 (d) 1995
(e) 2014
- 32.** Regional Rural Banks are classified under
(a) Land Development Banks
(b) Co-operative Banks (c) Commercial Banks
(d) Public Sector Banks (e) None of these
- 33.** RRBs are owned by
(a) Central Government
(b) State Government
(c) Sponsor Bank
(d) All of the above
(e) None of the above

- 34.** In which of the following States there is no Regional Rural Bank? [SBI Clerk 2014]
 (a) Karnataka (b) Goa
 (c) Uttarakhand (d) Himachal Pradesh
 (e) Punjab
- 35.** Regional Rural Banks are empowered to transact business of banking as defined under [IBPS Clerk 2015]
 (a) Regional Rural Banks Act, 1976
 (b) Negotiable Instruments Act, 1881
 (c) Banking Regulation Act, 1949
 (d) The Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970
 (e) None of the above
- 36.** Which of the following statements about Regional Rural Banks (RRBs) are correct?
 (a) Sponsor banks travellers cheques can be issued by RRBs
 (b) RRBs can enter into arrangements with the sponsor banks for providing remittance facilities to its customers
 (c) Where RRBs can afford the investment, they can install lockers also
 (d) Both (a) and (b)
 (e) All of the above
- 37.** Paid-up share capital of Regional Rural Bank is contributed by [IBPS Clerk 2015]
 (a) Central government only
 (b) State government only
 (c) Central government, State government and the sponsor commercial bank in the ratio of 50 : 15 : 35 respectively
 (d) Department of Rural Development
 (e) None of the above
- 38.** The central co-operative banks are in direct touch with
 (a) farmers
 (b) state co-operative banks
 (c) land development banks
 (d) Central Government
 (e) None of the above
- 39.** What are the co-operative banks at the village level known as?
 (a) Central co-operative banks
 (b) Primary agricultural co-operative societies
 (c) Village co-operative banks
 (d) State co-operative banks
 (e) None of the above
- 40.** Punjab National Bank is an Indian Financial Services company based in which city? [IBI Assistant 2015]
 (a) New Delhi (b) Mumbai
 (c) Chandigarh (d) Jaipur
 (e) None of these
- 41.** Where is the headquarters of Central Bank of India located? [IBPS PO Main 2015]
 (a) New Delhi (b) Mumbai
 (c) Pune (d) Bangalore
 (e) None of these
- 42.** Union Bank of India is one of the major public sector banks in India. It is headquartered in [RRB Grade B 2015]
 (a) Mumbai (b) Bengaluru
 (c) New Delhi (d) Chennai
 (e) Kolkata
- 43.** India got its first private bank in 11 years as the Bandhan Bank commenced operations on 23 August with 501 branches. What is the punch line of the bank? [IBPS PO Main 2015]
 (a) Apna Bhala, Aapki Bhalai
 (b) Aapka Bhala, Sabki Bhalai
 (c) Banking the Unbanked
 (d) Khayal Aapka
 (e) None of the above

Answers

1. (c)	2. (c)	3. (d)	4. (d)	5. (b)	6. (d)	7. (c)	8. (c)	9. (d)	10. (e)
11. (d)	12. (a)	13. (a)	14. (c)	15. (d)	16. (c)	17. (a)	18. (c)	19. (c)	20. (d)
21. (b)	22. (c)	23. (c)	24. (e)	25. (d)	26. (a)	27. (b)	28. (c)	29. (e)	30. (b)
31. (d)	32. (d)	33. (d)	34. (b)	35. (c)	36. (e)	37. (c)	38. (b)	39. (b)	40. (a)
41. (b)	42. (a)	43. (b)							

RESERVE BANK OF INDIA

Reserve Bank of India is the **Central Bank** of India. It is responsible for the issue and supply of the Indian currency and the regulation of the Indian Banking System.

History of RBI

The formation of RBI was proposed for the first time by **John Hilton Young Commission** also known as Royal Commission of Indian Currency and Finance in 1927.

In 1933, George Schuster framed a new bill which was placed in the Legislative Assembly and approved accordingly.

In 1934, contents of the bill of George Schuster was given a legal shape in the name **The Reserve Bank of India Act, 1934**.

RBI was constituted on that basis on 1st April, 1935. It functioned as a private institution till January, 1949. After January, 1949, RBI became state owned under Reserve Bank (Transfer of Public Ownership) of India Act, 1948.

Now, the entire share of RBI is owned by Central Government. Banking Regulation Act, 1949 has given profound power to RBI.

Organisation and Management of RBI

- Reserve Bank of India is managed by the Central Board of Directors. Presently (June, 2021), this board consists of **21 members**.
- Besides, Governor and four Deputy Governors, four directors are nominated, each by the four Local Boards of RBI for **4 years term**.
- Besides, ten directors and two government officers are nominated by the Government of India in Central Board of Directors.
- These boards have been established, in Mumbai, Kolkata, Chennai and New Delhi.
- According to the Reserve Bank of India Act, the term period of all nominated members is 4 years only.
- Head office of RBI is located in **Mumbai**.
- Governor and Deputy Governors are appointed by the government for a period of not more than 5 years.
- The bank has **31 regional offices** (including 4 sub-offices), most of which are in state capitals.
- The financial year of RBI starts from 1st April to 31st March (from Financial Year 2020-2021). The annual report is released in August each year.

Governor of RBI

First Governor of RBI was **Sir Osborne Smith**. RBI was nationalised on 1st January, 1949 and its first Indian Governor was **CD Deshmukh**.

The term of Governor office typically runs for 3 years and in some cases can be extended for another 2 years only.

Governors of RBI and their Time-Period

Governors	Tenure
Sir Osborne Smith	01 April, 1935 to 30 June 1937
Sir James Taylor	01 July, 1937 to 17 February, 1943
CD Deshmukh	11th August, 1943 to 30 June, 1949
Benegal Rama Rau	01 July, 1949 to 14 January, 1957
KG Ambegaonkar	14 January, 1957 to 28 February 1957
HVR Lengar	01 March, 1957 to 28 February, 1962
PC Bhattacharya	01 March 1962 to 30 June, 1967
LK Jha	01 July, 1967 to 03 May 1970
BN Adarkar	04 May, 1970 to 05 June 1970
S Jagannathan	16 June, 1970 to 19 May, 1975
NC Sen Gupta	19 May, 1975 to 19 August 1975
KR Puri	20 August 1975 to 02 May, 1977
M Narasimham	02 May, 1977 to 30 November, 1977
Dr. IG Patel	01 December, 1977 to 15 September, 1982
Dr. Manmohan Singh	16 September, 1982 to 14 January 1985
A Ghosh	15 January 1985 to 04 February 1985
RN Malhotra	04 February 1985 to 22 December 1990
S Venkitaramanan	22 December 1990 to 21 November 1992
Dr C Rangarajan	22 December, 1992 to 21 November, 1997
Dr Bimal Jalan	22 November, 1997 to 06 September, 2003
Dr YV Reddy	06 September, 2003 to 05 September, 2008
Dr D Subbarao	05 September, 2008 to 04 September, 2013
Dr Raghuram Govind Rajan	04 September, 2013 to 05 September, 2016
Urjit Patel	06 September, 2016 to 11 December, 2018
Shaktikanta Das	12 December, 2018 to Till Date

* As on 1st June, 2021

Central Board of RBI

RBI is wholly owned by the government of India. Central Board of directors oversees the Reserve Bank's business. It heads and conducts the affairs of RBI. It delegates specific functions through its committees and sub-committees.

The Central Board of Directors is the apex body in the governance structure of RBI. It governs all the important functions of the RBI. Its composition is enshrined under Section 8(1) of the RBI Act, 1934. It is assisted by three committees as given below

- Committee of the Central Board (CCB)** It is the most important committee of RBI. It meets every Wednesday to discuss and take decisions on issues surrounding the regulation of banking sectors and monetary policies.
- Board for Financial Supervision** It regulates and supervises Commercial Banks, Non-Banking Finance Companies (NBFCs), development finance institutions, urban co-operative banks and primary dealers.
- Board for Payment and Settlement Systems** It regulates and supervises the payment and settlement systems. Objective of this is to maintain public confidence in payment and settlement system. In addition, the Central Board also have five Sub-Committees
 - The Audit and Risk Management Sub-Committee (ARMS)
 - The Human Resource Management Sub-Committee (HRM-SC)
 - The Building Sub-Committee (BSC)
 - The Information Technology Sub-Committee (IT-SC)
 - The Strategy Sub-Committee

Subsidiaries of RBI

Full-owned subsidiaries of RBI includes

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

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Research Institutes of RBI

There are various RBI funded institutions for advance training and research on banking issues, economic growth and banking technology, such as

- National Institute of Bank Management (NIBM) at Pune
- Indira Gandhi Institute of Development Research (IGIDR) at Mumbai
- Institute for Development and Research in Banking Technology (IDRBT) at Hyderabad

Training Institutes of RBI

- RBI Academy is set up in 2016 by the RBI for imparting trainings on topics of relevance to Central Bankers, Regulators and Supervisors around the globe.
- Reserve Bank Staff College (RBSC), established on 03 July, 1963 in Chennai, is the apex training college of the RBI.
- RBI established the Cooperative Banker's Training College (CBTC) at Pune on 29 September, 1969. In 1974, the College was renamed as the College of Agricultural Banking (CAB).

Major Functions of RBI

Central banking functions of RBI are as follow

- **Monetary Authority** formulates, implements and monitor the monetary policy. Objective of this is to maintain price stability while keeping in mind the objective of growth.
- **Issue of Paper Currency** The Reserve Bank is nation's sole note issuing authority, except one rupee notes which are issued by Ministry of Finance. It issues notes in the denomination of ₹ 2, ₹ 5, ₹ 10, ₹ 20, ₹ 50, ₹ 100, ₹ 200, ₹ 500 and ₹ 2000. The bank has a separate department for note issuing. This is known as **Issue Department**.
- **Banker of the Government** The RBI has to work as an agent of the Central and State Governments. It performs various banking functions such as to accept deposits, taxes and make payments on behalf of the government. It works as a representative of the government even at the international level. It provides ways and means for meeting day to day receipt and expenditure mismatch to both central and state

government. It provides overdraft facility to the government in case of financial crunch.

- **Regulator and Supervisor of the Financial System** Prescribes broad parameters of banking operations within which the country's banking and financial system functions. In order to safeguard the interest of depositing public, it can refuse or cancel the licence, merge, reconstruct and amalgamate any bank.
- **Banker of Banks and Lender of the Last Resort** RBI acts as a banker for all commercial banks. All scheduled banks come under the direct control of RBI. As RBI meets directly or indirectly all the reasonable demands of banks for financial accommodation subject to certain terms and conditions, it is also referred as Lender of the Last Resort.

Ways and Means Advances (WMA)

WMA is the temporary facility for both the centre and states to borrow for the RBI. It helps them to tide over temporary mismatches in cash flows of their receipts and expenditure.

All commercial as well as schedule banks have to keep a minimum reserve (3%) with the RBI. They have to submit weekly reports to RBI about their transactions.

By performing 3 functions, the RBI helps the member banks significantly. They are given below

- (i) It acts as the lender of the last resort.
- (ii) It is the custodian of cash reserves of Commercial Banks.
- (iii) It clears and transfers the transaction and acts as the central clearing house.

Monetary Policy

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

In India, monetary policy of the RBI is aimed at managing the quantity of money in order to meet the requirements of different sectors of the economy and to increase the pace of economic growth. This responsibility is explicitly mandated under the **Reserve Bank of India Act, 1934**.

The Financial Stability Report published biannually by RBI provides detailed analysis of financial stability and the resilience of the financial system of the country.

Goals of Monetary Policy

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

Monetary Policy Committee (MPC)

This committee is constituted by the Government of India and it helps in determining the monetary policy which in turn adds value and transparency to monetary policy decisions. The meetings of the MPC will be held at least 4 times a year and it will publish its decision after each such meeting.

As per the provision of RBI Act, Governor of RBI, (ex-officio Chairperson), Deputy Governor of RBI, in-charge of Monetary Policy (Member), one officer of RBI (Member) and 3 members appointed by Central Government.

An expansionist monetary policy includes reducing taxes or increasing government spending. It aims to increase money supply to boost the economy. An expansionist policy from RBI will include the following

- (i) Reducing statutory liquidity ratio.
- (ii) Reducing the marginal standing facility rate.
- (iii) Reducing bank rate and repo rate.

Regulatory Functions of RBI under Monetary Policy

- Control of credit is the principal function of the Reserve Bank of India.
- Control of credit means expansion or contraction of credit.

- Reserve Bank of India makes use of all those methods of credit control that are adopted by other Central Banks in the world.
- The methods adopted by the Reserve Bank to control credit can be studied under two parts i.e. Quantitative credit control and Qualitative credit control.

Quantitative Credit Control

To control the flow of quantum of credit, Reserve Bank adopts the following instruments of the monetary policy.

Repo Rate

- The rate at which the RBI lends money to commercial banks is called repo rate. It is an instrument of monetary policy.
- Whenever banks have any shortage of funds, they can borrow from the RBI. Repo operations inject liquidity into the system.
- Reduction in repo rate helps the commercial banks to get money at a cheaper rate and increase in repo rate discourages the commercial banks to get money as the rate increases and becomes expensive.

Reverse Repo Rate (RRR)

- Reverse repo rate operation is when RBI borrows money from banks by lending securities. The interest rate paid by RBI in this case is called the reverse repo rate.
- Reverse repo operations absorb the liquidity in the system. The reverse repo will be 100 basis points below repo rate.

Base Rate

- It is the minimum rate set by the RBI below which banks are not allowed to lend to its customers.
- Base rate is decided in order to enhance transparency in the credit market and ensure that banks pass on the lower cost of fund to their customers.

Bank Rate

- RBI also uses bank rate to control the value of the reserve deposit ratio.
- Bank rate refers to the rate at which the RBI lends to the commercial banks, in case they run short of reserves.

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- A high bank rate makes borrowings for the banks costlier, which forces the banks to cut off their lending operations.
- While, a cut in the bank rate encourages the banks to borrow more and subsequently lend more.

Liquidity Adjustment Facility (LAF)

- It is a monetary policy tool which allows banks to borrow money through repurchase agreements.
- LAF is used to aid banks in adjusting the day-to-day mismatches in liquidity.
- LAF was introduced for the first time in June, 2000. LAF consists of repo and reverse repo operations.

Open Market Operations (OMOs)

- It refers to sale and purchase of government securities in the open market by the RBI. Using this method the RBI can control the liquidity in the financial system, influence interest rates and inflation.
- When the RBI purchases government securities from the open market, it increases supply of money in the system, reduces interest rates and increases inflation.
- When the RBI sells government securities in the market, it reduces money supply in the economy, increases interest rates and reduces inflation.

Marginal Standing Facility (MSF)

- It was announced by the Reserve Bank of India (RBI) in its Monetary Policy (2011-12) and refers to the penal rate at which banks can borrow money from the Central Bank.
- MSF is always 1% greater than RRR. MSF came into effect from 9th May, 2014.

Cash Reserve Ratio (CRR)

- It is the amount of funds that the banks have to keep with RBI. If RBI decides to increase this rate the available amount with the banks comes down.
- RBI uses this method (increase of CRR rate), to drain out the excessive money from the banks.

Statutory Liquidity Ratio (SLR)

- It is the ratio of liquid asset, which all Commercial Banks have to keep in the form of cash, gold and unencumbered approved securities equal to not

more than 40% of their total demand and time deposits liabilities.

- In the case of SLR, the securities are kept with bank themselves, which they need to maintain in the form of liquid assets.

Market Stabilisation Scheme

- It is used by the RBI in times of volatility in exchange rate. Here, the RBI might release or buy foreign exchange in the market to stabilise the exchange rate.
- Under MSS, RBI issues bonds on behalf of the government and the money raised is impounded in a separate account (not government account). Auction method is used in this scheme.

Priority Sector Lending

- RBI introduced the system of Priority Sector Lending to ensure that banks increase their involvement in the financing of priority sectors like agriculture, small industries, etc.
- On 25th August, 2011, RBI set-up a new committee under MV Nair to re-examine the existing classification and suggest revised guidelines with regard to priority sector lending.

Marginal Cost of Funds based Lender Rate

- The RBI has issued new guidelines for setting lending rate by commercial banks under the name Marginal Cost of Funds based Lending Rate (MCLR).
- It has replaced the Base Rate system from April, 2016 onwards.
- The MCLR regime is applicable on floating rate home loans and term loans to small and medium sized enterprises and middle level corporates.

Qualitative or Selective Credit Control

This refers to the control of specific credit meant for certain specific objectives. For example, if the government wants to check the rising prices of wheat in India, the Reserve Bank may instruct the member banks not to give loans against the security of wheat. Traders will not get credit for the purchase of wheat and therefore, they will not be able to buy large quantities of wheat. This would bring down wheat prices as the credit squeeze is directed towards wheat alone. It is thus called selective credit control.

These measures are as follow

- **Change in Margin Requirements on Loans** Reserve Bank directs the member banks to change their margin requirements from time to time.
- **Rationing of Credit** It is yet another technique of selective credit control.
- Under this programme, the Reserve Bank fixed credit quota for member banks as well as their limits for the payment of bills.
- **Discriminatory Interest Rate (DIR)** Through DIR, RBI makes credit flow to certain priority or weaker sectors by charging concessional rate of interest.
- **Direct Action** It is too severe and is therefore rarely followed. It may involve refusal by RBI to rediscount bill or cancellation of license, if the bank has failed to comply with the directives of RBI.
- **Moral Persuasion** From time to time, Reserve Bank holds meetings with the member banks to seek their cooperation in effectively controlling the monetary system of the country. It advises against the expansion of credit, except to priority sector i.e. agriculture, small industries, etc.

Other Functions of RBI

Besides the above stated specific functions, the Reserve Bank of India performs the following other functions

- **Export Assistance** Reserve Bank gives loans to export industries. These loans are given indirectly by refinancing the loans given by Export Import Bank and other banks.
- **Clearing House Functions** Being Central Bank of the country, the Reserve Bank also functions as clearing house. Interbanking obligations are conveniently settled through this house.
- **Change of Currency** The bank changes big notes into small ones and small notes into coins.
- **Transfer of Currency** The bank also facilitates the transfer of currency. It also issues Demand Hundies on its branches.

Foreign Exchange Management

It is an essential function of the RBI. Being the Central Bank of the Country, Reserve Bank of India also regulates exchange rate of rupee in terms of foreign currencies. It tries to maintain stability of exchange rate. In order to maintain the exchange rate stability, it has to bring demand and supply of the foreign currency close to each other. Reserve Bank deals with the currencies of only those countries which are members of IMF.

Limitations of RBI

- It has certain limitations as the RBI. It cannot function as the commercial banks. It cannot give loans against the fixed assets. RBI cannot give unsecured loans to others.
- Percentage ratio of a financial institution's primary capital to its assets (loans and investment), used as a measure of its financial strength and stability.

Major Efforts of International Banking Basel Norms

Basel norms are set by Bank of International Settlement (BIS) in **Basel, Switzerland**. Central Banks of **63 countries** are members of the BIS.

Basel guidelines refers to broad supervisory standards formulated by this group of central banks called the Basel Committee on Banking Supervision.

It was in 1988 that the central banking bodies of the developed economies agreed upon the provision of Capital Adequacy Ratio (CAR), also known as the Basel Accord.

This accord provides recommendations on banking regulations with regard to capital risk, market risk and operational risk. Its objective was to ensure that financial institutions have enough capital to meet obligations and absorb unexpected losses.

Basel I Norms

Basel I primarily focused on credit risk. In 1988, this ratio of capital was decided to be 8%. The **Capital Assets Ratio (CAR)** is the percentage of the total capital to the total weighted assets.

Thus, CAR is also known as **Capital to Risk Weighted Assets Ratio** (CRAR). It is used to protect the depositors and promote the stability and efficiency of the financial system.

Basel II Norms

It is a guide to capital adequacy standards for lenders. The aim of Basel II is to better align the minimum capital required by Regulators (so called regulatory capital) with risk.

Banks were guided to monitor all types of risks i.e., credit and increased disclosure requirements and depositors in the bank. And to mandatorily disclose their risk exposure to central banks.

Basel III Norms

It become operational from 1st January, 2013 in a phased manner. It was to be fully implemented by 31st March, 2019 but in the view of COVID-19 the implementation of Basel III norms for banking services has been deferred till January, 2023.

The main provisions under Basel III norms are as follows

- Banks to increase their core **tier 1 capital ratio** to 4.5%.
- Provision for a counter-cyclical capital conservation buffer of 2.5% by 2019 (now 2023).
- The total Capital to Risk Assets Ratio (CRAR) required Basel III is proposed at 10.5%.

Principles for Basel III

RBI released its guidelines on Basel III capital regulation on 2nd May, 2012 that

- Indian banks have to maintain tier 1 capital or core capital atleast 7% of their risk weightage assets on ongoing basis.
- The total capital ratio including tier 1 and tier 2 must be atleast 9%.
- From financial year ending 31st March, 2013, banks will have to disclose capital ratio computed under existing guidelines.

Challenges for Basel III

The following are some problems in the successful implementation of Basel III

- Higher capital is required by the banks which is not feasible for the Private Sector Banks.
- Heavy upgradation in technology and management styles will impose huge costs on banks of can effect their profitability in the coming years.
- Further, banks would need to invest in liquid assets, which would reduce their operating profit margin.
- Higher deployment in liquid assets may crowd out good private sector investment and effect economic growth.

QUESTION BANK

- 1.** The Reserve Bank of India, which was established under the Reserve Bank of India Act, 1934, started functioning from
- (a) 1st April, 1934 [RBI Assistant 2013]
(b) 1st April, 1935
(c) 1st September, 1934
(d) 1st July, 1934
(e) 1st April, 1936
- 2.** Where is the headquarter of Reserve Bank of India?
- (a) Mumbai (b) Delhi
(c) Kolkata (d) Ahmedabad
(e) Noida

- 3.** How many members are there in Central Board of Directors of RBI?
(a) 12 (b) 15 (c) 18 (d) 21
(e) 14
- 4.** The annual report of the RBI is released in month of every year.
(a) March (b) April (c) August (d) June
(e) January
- 5.** The Reserve Bank of India is
[RBI Assistant 2018]
(a) a department of Central Government under Ministry of Finance

- (b) a body corporate, having perpetual succession and a common seal
(c) an institution owned by Indian Banks' Association
(d) All of the above
(e) None of the above
- 6.** Reserve Bank of India is the lender of the last resort to scheduled commercial banks because
(a) the parties can approach RBI when their limits are exhausted
(b) they are not able to get loans from other banks
(c) RBI meets directly or indirectly all their reasonable demands for financial accommodation subject to certain terms and conditions which constitute its discount rate policy
(d) All of the above
(e) None of the above
- 7.** Which of the following former Governors of the Reserve Bank of India has also served as the Union Finance Minister?
[RBI Grade B 2015]
(a) Dr C Rangarajan (b) LK Jha
(c) B Venkitaraman (d) Dr IG Patel
(e) CD Deshmukh
- 8.** Who amongst the following persons is a Former Governor of RBI? [SBI Clerk 2012]
(a) Shri P Chidambaram
(b) Shri Yashwant Sinha
(c) Shri Pranab Mukherjee
(d) Shri Manmohan Singh
(e) None of the above
- 9.** First Indian appointed as the Governor of Reserve bank of India
(a) Sir C D Deshmukh
(b) Sir Senegal Rama Rau
(c) M Narasimham
(d) Dr C Rangarajan
(e) Shanmugam Chettiar
- 10.** The RBI is known as lender of last resort because [IBPS Clerk 2015]
(a) it has to meet the credit needs of citizens to whom no one else is willing to lend
(b) banks lend to go to RBI as a last resort
(c) it comes to help banks in times of crisis
(d) All of the above
(e) None of the above
- 11.** heads and conducts the affairs of RBI. [IBPS Clerk 2015]
(a) Central Board (b) Local Board
(c) Regional Board (d) All of these
(e) None of these
- 12.** The RBI provides for meeting day-to-day receipt and expenditure mismatch to both Central and State governments. [IBPS Clerk 2015]
(a) treasury bills
(b) ways and means advance
(c) date and securities
(d) All of the above
(e) None of the above
- 13.** Which of the following extreme measures may be resorted by the Reserve Bank of India (RBI), in order to safeguard the interest of the depositing public when the affairs of a bank are observed to be beyond redemption? [IBPS Clerk 2015]
(a) Refusal of a licence or cancellation of an existing licence
(b) Merge the bank with any public sector bank
(c) Applying to the Central government for an order of moratorium and thereafter reconstructing or amalgamating the bank with another bank
(d) All of the above
(e) None of the above
- 14.** Which of the following is one of the main function of the Reserve Bank of India? [SBI Clerk 2015]
(a) Regulation of the stock markets
(b) Regulation of life insurance
(c) Regulation of general insurance
(d) Regulation of mutual funds in India
(e) Banker's bank
- 15.** Consider the following measures.
I. Repo Rate
II. Cash Reserve Requirement
III. Reverse Repo Rate
Which of the measures given above is/are major instrument(s) used in the Liquidity Adjustment Facility (LAF)?
(a) I and II (b) I and III
(c) II and III (d) All of these
(e) None of these

24 BANKING AWARENESS

- 16.** Which of the following functions are not being performed by the Reserve Bank of India?
(a) Regulation of banks in India
(b) Regulation of Foreign Direct Investment in India
(c) Foreign currency management in India
(d) Control and supervision of money supply
(e) Currency management in India
- 17.** Which of the following training establishment is operated by Reserve Bank of India?
(a) National Institute of Securities Market
(b) Rural Self Employment Training Institutes
(c) National Institute of Bank Management
(d) All of the above
(e) None of the above
- 18.** 'National Institute of Bank Management' is the institution meant for [SBI Clerk 2014]
(a) All those given as options
(b) providing management personnel to the banks
(c) training of bank employees in banking
(d) providing consultancy on best practices in bank management
(e) recruitment of bank employees at all levels
- 19.** Which of the following do not fall within the functions of the Reserve Bank of India?
(a) Regulation of currency
(b) Control of currency
(c) Banker to the government, banker's bank and lender of the last resort
(d) Accepting deposits and making loans and advances to public
(e) None of the above
- 20.** The term 'Ways and Means' advances refers to
(a) the advances allowed under DRI Scheme by commercial banks
(b) the advances allowed by commercial banks under Twenty Point Economic Programme
(c) the temporary advances made to the government by RBI to bridge the interval between expenditure and the flow of receipts of revenues
(d) All of the above
(e) None of the above
- 21.** The instance of RBI monetary policy is
(a) inflation control with adequate liquidity for growth
(b) improving credit quality of the banks
(c) strengthening credit delivery mechanism
(d) supporting investment demand in the economy
(e) All of the above
- 22.** Which of the following instruments of credit control adopted by the Reserve Bank of India (RBI) does not fall within 'general' or 'quantitative' methods of credit control?
(a) Bank rate [IBPS Clerk 2015]
(b) Open market operations
(c) Stipulation of certain minimum margin in respect of advance against specified commodities
(d) Variable reserve requirements
(e) None of the above
- 23.** Bank rate policy, open market operations, variable reserve requirements and statutory liquidity requirements employed by Reserve Bank as measures of credit control are classified as [IBPS PO 2011]
(a) quantitative methods
(b) qualitative methods
(c) monetary methods
(d) All of the above
(e) None of the above
- 24.** Generally, the minimum rate below which the banks do not lend is known as
(a) floor rate (b) repo rate
(c) highest rate (d) base rate
(e) All of these
- 25.** The ratio of the Cash Reserves that the banks are required to keep with the RBI is known as
(a) Liquidity Ratio
(b) SLR
(c) CRR
(d) Net Demand and Time Liability
(e) None of the above
- 26.** Banks and other financial institutions in India are required to maintain a certain amount of liquid assets like cash, precious metals and other short term securities as a reserve all the time in banking world, this is known as
(a) CRR (b) Fixed asset
(c) SLR (d) PLR
(e) None of these

27. Bank rate means

- (a) the rate of interest charged by commercial banks on advances
- (b) the rate at which commercial banks discount bills of exchange for their clients
- (c) the rate of interest allowed by banks on the deposits
- (d) the standard rate at which the Reserve Bank of India is prepared to buy or rediscount bills of exchange other commercial paper are eligible for purchase under the Reserve Bank of India Act, 1934
- (e) None of the above

28. When the Reserve Bank desires to restrict expansion of credit it

- (a) raises the bank rate
- (b) reduces the bank rate
- (c) freezes the bank rate
- (d) None of the above
- (e) All of the above

29. For the performance of its duties as the regulator of credit, the Reserve Bank of India possesses the usual instruments of general credit control, viz.

- (a) bank rate
- (b) open market operation
- (c) the power to vary the reserve requirement of banks
- (d) All of the above
- (e) None of the above

30. In periods of depression when the Reserve Bank desires to encourage the banking system to create more credit, it

- (a) reduces the bank rate
- (b) raises the bank rate
- (c) permits the bank rate to be decided by market forces
- (d) All of the above
- (e) None of the above

31. RBI open market operation transactions are carried out with a view to regulate

- (a) liquidity in the economy
- (b) prices of essential commodities and inflation
- (c) borrowing power of the banks
- (d) All of the above
- (e) None of the above

32. Whenever RBI does some Open Market Operation transactions, actually it wishes to regulate which of the following?

- (a) Inflation only
- (b) Liquidity in economy
- (c) Borrowing powers of the banks
- (d) Flow of foreign direct investments
- (e) None of the above

33. Reverse Repo is a tool used by RBI to

- (a) inject liquidity
- (b) absorb liquidity
- (c) increase the liquidity with banking system
- (d) to keep the liquidity at one level
- (e) None of the above

34. The bank rate is

- (a) free to fluctuate according to the forces of demand and supply
- (b) set by the RBI
- (c) set by the RBI and directed by the Union Ministry of Finance
- (d) set by the RBI as advised by the Indian Banks Association
- (e) set by the Government of India on the recommendation of the Planning Commission

35. The interest rate at which the RBI lends to commercial banks in the short term to maintain liquidity is known as

- (a) interest rate
- (b) repo rate
- (c) reverse repo rate
- (d) bank rate
- (e) None of these

36. The RBI policy rate which is purely an indicative rate used by the Reserve Bank of India to signal long term outlook on interest rates is **[SBI PO 2014]**

- (a) bank rate
- (b) repo rate
- (c) call money rate
- (d) notice money rate
- (e) reverse repo rate

37. Banks in India are required to maintain a portion of their demand and time liabilities with the Reserve Bank of India. This portion is called **[SBI PO 2013]**

- (a) statutory liquidity ratio
- (b) cash reserve ratio
- (c) bank deposit
- (d) reverse repo
- (e) government securities

26 BANKING AWARENESS

- 38.** 'Base Rate' in banks is [IBPS Clerk 2011]
(a) The rate of interest payable on demand deposits
(b) The rate of interest payable on fixed deposits
(c) The rate of interest charged by RBI on long-term borrowings of public sector banks
(d) Minimum lending rate decided by the RBI which shall be adopted by all public sector banks
(e) The minimum interest rate fixed by individual banks below which they cannot lend funds, except cases like Government's sponsored scheme
- 39.** The amount specified as the Cash Reserve Ratio (CRR) is held in cash and cash equivalents and is stored in bank vaults or parked with [SBI PO 2014]
(a) Small Industries Development Bank of India (SIDBI)
(b) Government of India (GoI)
(c) Reserve Bank of India (RBI)
(d) State Bank of India (SBI)
(e) Rural Infrastructure Development Fund (RIDF)
- 40.** Interest below which a bank is not expected to lend to customers is known as [IBPS Clerk 2015]
(a) deposit rate (b) base rate
(c) prime lending rate (d) bank rate
(e) discount rate
- 41.** With effect from 1st July, 2012, for calculation of lending rates, the Reserve Bank of India has advised banks to switch over to the [IBPS PO 2018]
(a) MSF Rate System
(b) Reverse Repo Rate System
(c) Bank Rate System
(d) Repo Rate System
(e) Base Rate System
- 42.** What is Repo Rate?
(a) It is a rate at which RBI sell government securities to banks
(b) It is a rate of which RBI buys government securities from banks
(c) It is a rate at which RBI allows small loans in the market
(d) It is a rate which is offered by banks to their most valued customers or prime customers
(e) None of the above
- 43.** Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR) are terms most closely related to which of the following industries/markets? [IBPS Clerk 2011]
(a) Capital market
(b) Banking industry
(c) Commodities market
(d) Money Market
(e) Mutual fund industry
- 44.** What is the Repo Rate? [IBPS Clerk 2011]
(a) It is the rate at which RBI sells government securities to banks
(b) It is the rate at which RBI allows small loans in the market
(c) It is the rate at which banks borrow money from the Reserve Bank of India
(d) It is the rate which is offered by banks to their most valued customers or prime customers
(e) None of the above
- 45.** Which instrument is used by the Reserve Bank of India to control market liquidity? [SBI PO 2013]
(a) Repo Rate
(b) Statutory Liquidity Ratio
(c) Marginal Adjustment Facility
(d) Reserve Repo Rate
(e) Only (a) and (d)
- 46.** How RBI measured to liquidate the market?
(a) By Reverse Repo Rate [IBPS PO/MT 2014]
(b) By Repo Rate
(c) By Cash Reserve Ratio
(d) By Statutory Liquidity Ratio
(e) None of the above
- 47.** Interest below which a bank is not expected to lend to customers is known as..... [SBI PO 2013]
(a) Deposit Rate (b) Base Rate
(c) Prime Lending Rate (d) Bank Rate
(e) Discount Rate
- 48.** With effect from 1st July, 2012, for calculation of lending rates, the Reserve Bank of India has advised banks to switch over to the [IBPS PO/MT 2013]
(a) MSF Rate System
(b) Reverse Repo Rate System
(c) Bank Rate System
(d) Repo Rate System
(e) Base Rate System

49. Base Rate is the rate below which no Bank can allow their lending to anyone. Who sets up this 'Base Rate' for Banks?

[IBPS PO/MT 2012]

- (a) Individual Banks Board
- (b) Ministry of Commerce
- (c) Ministry of Finance
- (d) RBI
- (e) None of the above

50. 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 at one level
- (e) None of the above

51. 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 the above

52. 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

53. 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

[SBI PO Main 2016]

- (a) Is cheaper for banks to borrow money
- (b) Is a tool, which central bank uses for short-term purposes
- (c) Provides greater control to the central bank over money supply
- (d) Marks a shift from earlier method of calibrating various policy rates separately
- (e) None of the above

54. 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

55. Reserves which can act as a liquidity buffer for commercial banks during crisis times are

[IBPS Clerk 2011]

- (a) CAR
- (b) CRR
- (c) CAR and RR
- (d) CRR and SLR
- (e) SLR

56. Liquidity is injected by the RBI in the economy through which of the following mechanisms?

[SBI Clerk 2014]

- (a) Change in Bank Rate
- (b) Repo
- (c) Increase in SLR
- (d) Through Liquidity Adjustment Facility
- (e) Increase in CRR

57. An increase in CRR by RBI leads to

[IBPS Clerk 2015]

- (a) decrease in deposit
- (b) increase in deposit
- (c) increase in lendable resources
- (d) decrease in lendable resources
- (e) None of the above

58. CRR funds are kept by the banks in

[IBPS Clerk 2015]

- (a) cash in hand at branches
- (b) balance with other banks
- (c) balance in a special account with RBI
- (d) funds in the currency chest
- (e) None of the above

59. SLR is maintained as a percentage of

[IBPS Clerk 2015]

- (a) time liabilities
- (b) demand liabilities
- (c) Both (a) and (b)
- (d) gross time and demand liabilities
- (e) net demand and time liabilities

28 BANKING AWARENESS

- 60.** Which of the following is the minimum lending rate which the banks can charge their customers? [RBI Grade B 2015]
 (a) Reverse repo rate
 (b) Other than the those given as options
 (c) Bank rate
 (d) Base rate
 (e) Repo rate
- 61.** The 'Bank rate' is periodically announced by the [RBI Grade B 2015]
 (a) Indian Banks Association (IBA)
 (b) State Bank of India (SBI)
 (c) Reserve Bank of India (RBI)
 (d) Ministry of Finance
 (e) Board of the respective banks
- 62.** The Reserve Bank of India does not decide the [RRB Assistant 2012]
 (a) Rate of Repo and Reverse Repo
 (b) Marginal Standing Facility Rates
 (c) Bank Rate
 (d) Rate of Dearness Allowance to Government Employees
 (e) Statutory Liquidity Ratio
- 63.** Which of the following fall under the qualitative methods of credit control adopted by Reserve Bank of India?
 (a) Selective Credit Control
 (b) Credit Authorisation Scheme
 (c) Moral Suasion
 (d) All of the above
 (e) None of the above
- 64.** The term 'moral suasion' refers to
 (a) the moral duty of a borrower to deal with only one bank
 (b) the banker's duty of secrecy as regards the affairs and accounts of his customers
 (c) the advice given by Reserve Bank to banks/ financial institutions in the matter of their lending and other operations with the objective that they might implement or follow it
 (d) All of the above
 (e) None of the above
- 65.** For the first time, in which year Basel Committee came up with Capital Accords for banks?
 (a) 1985 (b) 1988
 (c) 1990 (d) 1992
 (e) 1998
- 66.** Under Basel III accord, Indian banks have to maintain Tier-1 capital (equity and reserves) at how much per cent of risk weighted assets (RWA).
 (a) 8% (b) 7%
 (c) 9% (d) 5%
 (e) None of these
- 67.** Where is headquarter of Basel Committee on Banking Supervision (BCBS)?
 (a) Rome
 (b) Switzerland
 (c) Belgium
 (d) Washington DC
 (e) None of the above

Answers

1. (b)	2. (a)	3. (d)	4. (c)	5. (b)	6. (c)	7. (e)	8. (d)	9. (a)	10. (c)
11. (a)	12. (b)	13. (d)	14. (e)	15. (a)	16. (b)	17. (c)	18. (a)	19. (d)	20. (c)
21. (e)	22. (c)	23. (a)	24. (d)	25. (c)	26. (c)	27. (d)	28. (a)	29. (d)	30. (a)
31. (d)	32. (b)	33. (b)	34. (b)	35. (b)	36. (a)	37. (b)	38. (e)	39. (c)	40. (b)
41. (a)	42. (b)	43. (b)	44. (c)	45. (c)	46. (b)	47. (b)	48. (a)	49. (d)	50. (b)
51. (a)	52. (a)	53. (c)	54. (c)	55. (d)	56. (b)	57. (d)	58. (c)	59. (e)	60. (d)
61. (c)	62. (d)	63. (d)	64. (c)	65. (b)	66. (b)	67. (b)			

BANKING REGULATION SYSTEM

The Indian banking sector is regulated by the RBI Act, 1934 and the Banking Regulation Act, 1949.

The RBI issues various guidelines, notifications and policies from time to time to regulate the banking sector. Some important steps taken by RBI to improve bank's working procedure are as follow

Banking Regulation Act, 1949

The Banking Regulation Act, enacted in 1949, has been a milestone in the history of banking in India. This act provides a framework for regulation and supervision of commercial banking activity. The Section-5(1)(e) of this Act, defines a **Banking Company** as a company which transacts the business of banking, undertakes lending of money, undertake deposits from the public and invests the same in trade and industry. Section 23 of this Act governs the opening of branches by the banks.

Objectives of Banking Regulation Act, 1949 are as follow

- To reduce unhealthy competition in the banking sector.
- To safeguard the rights of shareholders and the public.
- To ensure new branches are licensed.

- Help the bank to liquidate when they are unable to operate.
- Take necessary steps to strengthen the banking sector of the country.

State Bank of India Act, 1955

Imperial Bank of India was transformed into SBI through SBI Act, 1955 passed by Indian Parliament.

As a result of it, banking services were expanded to rural as well as semi-urban areas.

Under this act, the RBI acquired a controlling interest in the Imperial Bank of India. On **1 July, 1955**, the Imperial Bank of India became the State Bank of India.

The State Bank of India (Subsidiary Banks) Act, 1959

This Act provides the formation of certain Government or Government Associated Banks as subsidiary of the State Bank of India. Under this Act, the responsibility for constitution, management and control of the subsidiary banks had been entrusted to the SBI. It resulted in affiliation of 8 associate banks of SBI.

Banking Laws (Miscellaneous Provisions) Act, 1963

With a view to restraining the control exercised by particular group of persons over the affairs of banks and to provide strict control over bank by the Reserve Bank, the Banking Laws (Miscellaneous Provisions) Act was passed in 1963.

This Act empowers the Reserve Bank to remove managerial and other persons from the office of the bank.

Banking Law (Amendment) Act, 1968

In this act, it was decided as to which businesses banks are allowed to give loans. The role of banks in the areas of economic and social development was also specified.

The Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970

As per this Act, no shareholder of the Corresponding New Bank, other than the Central Government shall be entitled to exercise voting rights in respect of any shares held by him. Under this provision, 14 banks were nationalised in 1970.

Regional Rural Banks Act, 1976

Regional Rural Banks were established under the provisions of an Ordinance passed on **26th September, 1975** and the RRB Act, 1976 to provide sufficient banking and credit facility for agriculture and other rural sectors. These were setup on the recommendations of the Narasimham Committee.

SARFAESI Act, 2002

The full form of SARFAESI Act is Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002. Banks utilise this Act as an effective tool for bad loans (NPA) recovery.

It is possible that non-performing assets are backed by securities charged to the bank by way of hypothecation or mortgage or assignment.

Upon loan default, banks can seize the securities (except agricultural land) without intervention of the court. SARFAESI is effective only for secured loans where bank can enforce the underlying security. For example, hypothecation, pledge and mortgages.

The SARFAESI Act, 2002 gives powers of **seize and desist** to banks. Banks can give a notice in writing to the defaulting borrower requiring it to discharge its liabilities within 60 days.

According to this Act, the registration and regulation of securitisation companies or reconstruction companies is done by RBI.

SARFAESI Amendment Act, 2016

- It allows District Magistrate (DM) to take possession over collateral within 30 days for securing the creditors.
- It empowers District Magistrate (DM) to assist banks to take over the management of a company, in case the company is unable to repay loans.
- It creates a central database to integrate records of property registered under various registration systems with central registry meant for maintaining records of transactions related to secured assets.

RBI (Amendment) Act, 2006

In 2006, Government amended the RBI Act, 1974 and the Banking Regulation Act.

Under the Act, Government removed the floor and CAR (Capital Adequacy Ratio) on CRR (Cash Reserve Ratio) and floor on Statutory Liquidity Ratio to provide flexibility to the RBI to manage liquidity.

After this, RBI was not required to pay any interest on the CRR deposits of banks. The amendment also established RBI as regulator of the bond market and the currency market.

The Banking Laws (Amendment) Act, 2011

This Act would strengthen the regulatory powers of Reserve Bank of India (RBI) and further develop the banking sector in India.

It will also enable the nationalised banks to raise capital by issue of preference shares or rights issue or issue of bonus shares.

The salient features of the Act are as follow

- To increase the cap of restrictions on voting rights.
- To provide for special audit of co-operative banks at instance of RBI.
- To enable the nationalised banks to raise capital through 'bonus' and 'rights' issue and also enable them to increase or decrease the authorised capital with approval from the Government and RBI without being limited by the ceiling of a maximum of ₹ 3000 crore.
- Voting rights in banks may be restricted upto 26%.

Banking Regulation (Amendment) Act, 2020

The Act proposes amendment to the Banking Regulation Act, 1949 and will replace the Banking Regulation (Amendment) Ordinance, 2020.

The Act aims to bring co-operative banks under the supervision of the Reserve Bank of India (RBI). The Act will also permit RBI to initiate a scheme for reconstruction or amalgamation of a stressed lender without imposing a moratorium.

SBI As an Agent of RBI

The State Bank of India acts as an agent of RBI in all those places where the latter does not have its branches.

Until the establishment of RBI in 1935, the Imperial Bank of India (Now, SBI), in addition to its commercial banking function had been performing certain central banking functions.

1st July is observed as SBI Day. SBI sign board has been changed on 1st April, 2017. Earlier, logo with name 'State Bank of India' has been succeeded with new logo with name 'SBI'.

At present, the SBI has **16 regional hubs** and **57 zonal offices** that are located at important cities throughout India.

It has more than **24,000 branches** in India presently. It has **190 overseas** branches spread over **36 countries**.

Functions of SBI

The functions of SBI can be grouped under two categories, the central banking functions and ordinary banking functions.

Central Banking Functions

- SBI maintains currency chest on behalf of RBI by its large network of branches available everywhere in the country.
- SBI caters to the needs of both the governments, central as well as the state. So, the SBI is Banker to the Government.
- SBI is considered as the Banker's Bank but only in limited sense.
- In place where RBI has no branches, SBI acts as a clearing house for RBI.

General/Ordinary Banking Functions

- Accepting deposits from the public under current, saving, fixed and recurring deposit accounts.
- Advancing and lending money and opening cash credits upon the security of stocks, securities, etc.
- Drawing , accepting, discounting, buying and selling of bills of exchange and other negotiable instruments.
- Investing funds in specified kinds of securities.
- Advancing and lending money to court of wards with the previous approval of State Government.
- Issuing and circulating letters of credit, etc.
- The State Bank may (with the sanction of the Central Government) enter into negotiations for acquiring the business of any other Banking Institutions.

Legal Aspects of Banks

Apart from the RBI whose primary role is regulation and supervision of the banks, certain specialised bodies had been created for effective governance of the banking industry in the country. Some of them are discussed below

Banking Ombudsman

Banking Ombudsman Scheme was introduced by the RBI in 1995 under the Banking Regulation Act, 1949. It is a senior official appointed by the RBI to readdress customer complaints against deficiency in certain banking services.

The bank should comply and intimate the Compliance of Award to Ombudsman within one month. Banking Ombudsman can award compensation to the compliant. In this, it takes into account the loss of the compliant's time, expenses incurred and the harassment and mental anguish suffered.

There are 22 regional offices of Banking Ombudsman in India. RBI amended the Banking Ombudsman Scheme in which it has allowed the Banking Ombudsman to impose a fine of upto ₹ 20 lakh on banks. It deals with matters less than or equal to ₹ 20 lakhs.

Institutions covered under the Banking Ombudsman Scheme are All Scheduled Commercial Banks, RRBs, Scheduled Primary Co-operative Banks and some NBFCs.

The Banking Ombudsman does not charge any fee for filing and resolving customers' complaints.

Deputy Governor of the RBI is the appellate authority of Banking Ombudsman.

Board of Financial Supervision

It was constituted in November 1994, as a Committee of the Central Board of Directors of the Reserve Bank of India with an objective to undertake consolidated supervision of the financial sector comprising commercial banks, financial institutions and non-banking finance companies.

Central Board of Banking Fraudulence

It was established by then Finance Minister **P. Chidambaram** in year **1997**. It was established to enquiry about CBI cases pertaining to Officers of rank of Chief Managers.

Debts Recovery Tribunal

The Debts Recovery Tribunal has been constituted under Section 3 of the Recovery of Debts due to Banks and Financial Institutions Act, 1993.

The original aim of the Debts Recovery Tribunal was to receive claim applications from Banks and Financial Institutions against their defaulting borrowers.

Inspired by the success of Debt Recovery Tribunal in India, many countries has started following this Indian model of recovery of debt.

Tribunal Headquarter	Establishment	Jurisdiction of Tribunals
Debt Recovery Appellate Tribunal		
Mumbai	12 July, 1994	All Debt recovery tribunals of India
Debt Recovery Tribunals		
Kolkata	27 April, 1994	West Bengal, Andaman and Nicobar Islands
Delhi	5 July, 1994	Delhi
Jaipur	30 August, 1994	Rajasthan, Himachal Pradesh, Punjab, Haryana and Chandigarh
Ahmedabad	21 October, 1994	Gujarat, Dadar and Nagar Haveli, Daman and Diu
Bengaluru	30 November, 1994	Karnataka and Andhra Pradesh
Chennai	4 November, 1995	Tamil Nadu, Kerala and Puducherry
Guwahati	7 January, 1997	Assam and entire North-Eastern states
Patna	24 January, 1997	Bihar and Odisha
Jabalpur	7 April, 1998	Madhya Pradesh and Uttar Pradesh

Insolvency and Bankruptcy Code

The Insolvency and Bankruptcy Code (IBC), 2016 is the bankruptcy law of India which seeks to consolidate the existing framework by creating a single law for insolvency and bankruptcy.

The IBC (Amendment) Act, 2019 has increased the mandatory upper time limit of 330 days including time spent in legal process to complete resolution process. The first insolvency resolution order under this code was passed by National Company Law Tribunals (NCLTs).

National Company Law Appellate Tribunal (NCLAT)

The NCLAT was constituted under Section 410 of the Companies Act, 2013 for hearing appeals against the orders of National Company Law Tribunals (NCLTs), with effect from 1st June, 2016.

The NCLAT is also the Appellate Tribunal for hearing appeals against the orders passed by NCLT(s) under Section 61 of the Insolvency and Bankruptcy Code, 2016 (IBC).

QUESTION BANK

1. Purpose of this Act is to provide safety in the interest of depositors.
 - (a) Banking Regulation Act, 1949
 - (b) Banking Laws, 1959
 - (c) Banking Laws, 1968
 - (d) Companies Act, 1948
 - (e) Companies Act, 1991
2. The Banking Regulation Act, 1949 provides
 - (a) a framework of regulation
 - (b) supervision of Commercial banking activities
 - (c) Both (a) and (b)
 - (d) supervision of private sector bank
 - (e) None of the above
3. Banks in India are regulated under [IBPS Clerk 2011]
 - (a) Companies Act, 1956
 - (b) Banking Regulation Act, 1949
 - (c) Reserve Bank of India Act, 1934
 - (d) Special powers conferred on the RBI
 - (e) None of the above
4. In terms of Section-5(1) (e) of the Banking Regulation Act, 1949, a 'banking company' means any company which [IBPS Clerk 2015]
 - (a) transacts the business of banking in India
 - (b) undertakes lending of money
 - (c) accepts deposits from public and invests the same as trade and industry
 - (d) accepts deposits from public
 - (e) All of the above
5. When was Imperial Bank changed as State Bank of India?
 - (a) 1st January, 1935
 - (b) 26th February, 1947
 - (c) 1st July, 1955
 - (d) 1st July, 1959
 - (e) 26th February, 1955
6. Issue related to voting rights for the governance of Banks is provided in
 - (a) Banking Regulation Act, 1949
 - (b) State Bank of India Act, 1955
 - (c) The Banking Companies Act, 1970
 - (d) RRB Act, 1976
 - (e) None of the above
7. Regional Rural Banks Act was legislated in

(a) 1970	(b) 1955
(c) 1976	(d) 2000
(e) 2002	
8. This act as an effective tool for bad loans recovery.
 - (a) RBI Amendment Act, 2006
 - (b) The Banking Laws Bill, 2011
 - (c) RRB Act, 1976
 - (d) SARFAESI Act, 2002
 - (e) None of the above

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- 9.** Which of the following Acts is especially launched to facilitate banks in recovery of bad loans?
(a) RBI Act (b) Banking Regulation Act
(c) Companies Act (d) Income Tax Act
(e) SARFAESI Act
- 10.** According to SARFAESI Act, 2002, the registration and regulation of securitisation companies or reconstruction companies is done by
(a) RBI (b) SEBI
(c) SBI (d) All of these
(e) None of these
- 11.** The SARFAESI (Amendment) Act, 2016 provides the facilities that the District Magistrate has to assist in the recovery process of the secured creditors and complete process within
(a) 10 days (b) 30 days
(c) 45 days (d) 50 days
(e) 55 days
- 12.** The SARFAESI Act provides which alternative method(s) for recovery of non-performing assets?
(a) Securitisation
(b) Asset Reconstruction
(c) Enforcement of Security without the intervention of the Court
(d) Both (a) and (b)
(e) All of the above
- 13.** "SARFAESI Act, 2002" is applicable in banking industry for. [SBI Clerk 2015]
(a) regulating the service conditions of employee
(b) appointment of nominee directors on the bank boards
(c) other than those given as options
(d) streamlining documentation
(e) facilitating enforcement of security for recovery of bad loans
- 14.** Under which Act, Government removed the floor and CAR on CRR and floor on Statutory Liquidity Ratio to provide flexibility to RBI to manage liquidity?
(a) RBI Amendment Act, 1999
(b) RBI Amendment Act, 2000
(c) RBI Amendment Act, 2006
(d) Banking Companies Act, 1970
(e) Banking Companies Act, 2011
- 15.** Voting rights in banks restricted upto 26% by the
(a) Banking Laws, 2000
(b) RBI Act
(c) Banking Laws (Amendment) Act, 2011
(d) Companies Act
(e) None of the above
- 16.** SBI Day is observed on
(a) 1st January (b) 1st April
(c) 1st July (d) 1st August
(e) None of these
- 17.** The government passed the State Bank of India (Subsidiary Banks) Act in
(a) 1934 (b) 1949
(c) 1955 (d) 1959
(e) None of these
- 18.** Which one of the following banks, perform the role of clearing house in absence of RBI?
(a) Punjab National Bank (PNB)
(b) State Bank of India (SBI)
(c) Canara Bank
(d) Bank of India
(e) All of the above
- 19.** As of June 2021, SBI has regional hubs.
(a) 14 (b) 12
(c) 16 (d) 18
- 20.** The act as an agent of the RBI at the places where the RBI has no branch.
(a) RRBs (b) SEBI
(c) HDFC (d) PNB
(e) SBI
- 21.** Imperial Banks were amalgamated and changed as
(a) Reserve Bank of India
(b) State Bank of India
(c) Subsidiary Banks
(d) Union Bank of India
(e) Corporation Bank
- 22.** Banking Ombudsman is appointed by [SBI PO 2014]
(a) Union Ministry of Finance
(b) Competition Commission of India
(c) Reserve Bank of India
(d) Indian Banks Association
(e) Securities and Exchange Board of India

23. Mr. Rajendra had filed a complaint with Banking Ombudsman but is not satisfied with the decision. What is the next option before him for getting his matter resolved?

[IBPS PO/MT 2012]

- (a) Write to the CMD of the Bank.
- (b) File an appeal before the Finance Minister.
- (c) File an appeal before the Banking Ombudsman again.
- (d) File an appeal before the Dy. Governor of RBI.
- (e) Simply close the matter as going to court involves time and money.

24. When was Ombudsman Scheme first introduced?

[IBPS Clerk 2017]

- (a) November, 2006
- (b) October, 1981
- (c) June, 1995
- (d) January, 1998
- (e) All of the above

25. Banking Ombudsman Scheme is applicable to the business of

[IBPS PO 2012]

- (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 rivale banks

26. Banking Ombudsman deals with matters less than or equal to

- (a) ₹ 2 lakh
- (b) ₹ 20 lakh
- (c) ₹ 50 lakh
- (d) ₹ 2 crore
- (e) ₹ 10 crore

27. Who introduced the Banking Ombudsman Scheme?

- (a) RBI
- (b) SBI
- (c) Ministry of Finance
- (d) NABARD
- (e) None of the above

28. 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

29. The Bank should comply and intimate the Compliance of Award to Ombudsman

[IBPS PO/MT 2014]

- (a) Within two months
- (b) Within 3 months
- (c) Within one month
- (d) Within one year
- (e) None of the above

30. The Banking Ombudsman [IBPS Clerk 2011]

- (a) is incharge of bank loans for buses
- (b) fixes the rates of interest for loans
- (c) resolves complaints of customers
- (d) issued licences for new bank branches
- (e) is the head of all nationalised banks

31. Central Board of Banking Fraudulence was established in

- (a) 1950
- (b) 1965
- (c) 1986
- (d) 1997
- (e) 2001

32. Debt Recovery Tribunal have been constituted under Section 3 of the Recovery of Debts due to Banks and Financial Institutions Act,

- (a) 1985
- (b) 1990
- (c) 1993
- (d) 2001
- (e) 2010

33. Debt Recovery Appellate Tribunal established in

[IBPS Clerk 2012]

- (a) Patna
- (b) Pune
- (c) Mumbai
- (d) Hyderabad
- (e) Ranchi

34. Debt Recovery Tribunal was established in

- (a) Delhi
- (b) Jaipur
- (c) Chennai
- (d) Kolkata
- (e) All of these

35. What is B in IBC Act?

- (a) Banking
- (b) Bankruptcy
- (c) Branch
- (d) Base year
- (e) None of these

36. IBC (Amendment) Act, 2019 has increased the mandatory upper time limit of days required for resolution of proceedings to

- (a) 45 days
- (b) 90 days
- (c) 210 days
- (d) 330 days
- (e) 500 days

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37. What is N in NCLAT? [IBPS Clerk 2014]

- (a) Net (b) Near
(c) National (d) Nature
(e) Non

38. The lenders of Essar Steel have told the Supreme Court that the NCLAT has misconstrued and misinterpreted the provisions of the Insolvency and Bankruptcy Code (IBC) to such an extent that the statute itself has been literally rewritten. What is the full form of NCLAT?

- (a) National Company Law Appellate Terminal
(b) National Company Law Appellate Tribunal
(c) National Company Law Appellate Treaty
(d) National Commission of Law Appellate Tribunal
(e) None of the above

39. NCLAT was constituted under

- (a) Companies Act, 2013
(b) Banking Law, 2018
(c) RBI Act, 1946
(d) SBI Act, 2018
(e) None of the above

Answers

1. (a)	2. (c)	3. (b)	4. (e)	5. (c)	6. (c)	7. (c)	8. (d)	9. (e)	10. (a)
11. (b)	12. (e)	13. (e)	14. (c)	15. (c)	16. (c)	17. (d)	18. (d)	19. (c)	20. (e)
21. (b)	22. (c)	23. (d)	24. (c)	25. (d)	26. (b)	27. (a)	28. (a)	29. (c)	30. (c)
31. (d)	32. (c)	33. (c)	34. (e)	35. (b)	36. (d)	37. (c)	38. (c)	39. (a)	

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BANKING INNOVATION IN INDIA

The term 'innovation' means 'to make something new'. In banking sector as well, there have been innovations in terms of new category of banking institutions and banking methods.

Over the years, banks in India have taken a new turn to avail their services to its customers in more easy and friendly manner.

The Government's objective of achieving 100% financial inclusion in India got a shot in the arm with the new banking systems, which are explained below.

Payments Banks

Payment Banks is a new form of bank operating on a smaller or restricted scale. It comes under private banks. RBI released guidelines for licensing of payments banks on **27th November, 2014**. Bharti Airtel launched India's first payments bank named **Airtel Payment Bank in March, 2017**.

The objective of payments banks is to push financial inclusion by providing small savings accounts and payments or remittance services to migrant labour workforce, low income households,

small businesses, other unorganised sector entities and other users.

Services Offered by Payments Banks in India

Payments banks are restricted to offer only a bunch of services. These services are as follow

- Can open a savings account or a current account in payments banks.
- Payments banks also pay interest on deposited money just like traditional banks.
- Payments banks can issue debit/ATM cards to the customers.
- You can access payments bank's services through Mobile banking.
- A payments bank can accept deposits upto ₹ 2 lakh, per individual only.
- You can use a payment bank app to transfer money and make utility bill payments as well.
- Payment banks provide internet banking services including payment transfer services such as RTGS/NEFT/IMPS.

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- Payments banks can transfer payments through any channels like Branches, ATMs, mobile apps or business correspondents.
- A payments bank also provides other financial services like mutual funds, insurance products, pension products and forex services.

Guidelines of RBI for Payments Banks

- The payments banks will be able to take deposits and remittances, internet banking and other specified services but cannot undertake lending services.
- Their holdings are restricted to a maximum balance of ₹ 2 lakh per individual customer (from 2021).
- Payments Banks can issue ATM/debit cards but not credit cards and can also issue other prepaid payment instruments.
- Payment bank cannot undertake lending activities but can distribute the non-risk sharing simple financial products such as mutual fund units, insurance products, etc.
- Non-Resident Indians will not be allowed to open accounts in payments banks.
- It is mandatory for payments banks to hold a minimum capital of ₹ 100 crore. FDI of 74% is allowed in payments banks.
- They can enable transfers and remittances through mobile phone.
- According to the RBI guidelines, existing non-bank pre-paid payment companies, individuals, NBFCs, corporate business correspondents, mobile telephone companies, super market chains, retailers, etc. are authorised to get license for payments banks.
- They can offer services such as automatic payments of bills, and purchases in cashless, chequeless transactions through a phone.

India Post Payments Bank (IPPB)

India Post Payments Bank was launched by PM Narendra Modi on **1st September, 2018**. It is a payment bank that aims to make banking services at people's doorstep.

IPPB is a wholly-owned subsidiary of Department of Post, with 100 percent Government of India equity. It is governed by RBI. The government in budget 2015-16 announced the establishment of IPPB.

The India Post Payments Bank Limited (IPPBL) has received the Certificate of Incorporation from the Registrar of Companies, Ministry of Corporate Affairs under the Companies Act, 2013.

As per RBI guidelines, a person can only hold a maximum of ₹ 2 lakh in their saving account of this bank.

Its services are linked to post offices and alternative channels riding on modern technology including ATMs, mobiles, simple digital payments and Point of Sale (PoS)/m-PoS devices, etc.

Active Payments Banks in India

Names of the Payments Banks	Headquarters
Airtel Payments Bank Limited	New Delhi
Paytm Payment Bank	Noida
Fiin Payment Bank	Navi Mumbai
India Post Payment Bank	New Delhi
Jio Payment Bank	Navi Mumbai
NSDL Payment Bank	Mumbai

RBI in August, 2015, gave license to eleven entities to launch payments banks. However, as of June 2021, only six has launched banking operations. Aditya Birla Payment Bank which launched its services in 2018, decided to wind up its operations in 2019. Sun Pharma, Tech Mahindra Limited and Cholamandalam Distribution Services Limited withdrew their application for establishment of Payment Banks.

Small Finance Banks

Small finance banks are a type of **niche banks** in India. These banks that have a specific purpose and focus on a particular subset of the population.

RBI had released the guidelines on Small Finance Banks along with the Payment Banks on **27th November, 2014**.

The objective of small finance banks is to further financial inclusion by providing

- Basic banking facilities to the unbanked and thereby, boosting saving habits.
- 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.
- Unlike payments banks, small finance banks will be allowed to lend money also.
- For the initial 3 years, prior approval will be required for branch expansion.
- To give the feel of local bank, their area of operation will be restricted.
- Non-Banking Financial Companies (NBFCs) controlled by Indian residents and any individual with 10 years of experience in banking and financial sector can apply for license of Small Finance Bank.
- Their targets are small businesses and Micro, Small and Medium Enterprises (MSMEs).
- They are not allowed to lend the deposited money to big businesses or industries.

Capital Small Finance Bank Limited started operations as India's first Small Finance Bank on 24th April, 2016 after conversion from Capital Local Area Bank.

Important Features of Small Finance Banks

Small Finance Banks in India

Names of the Small Finance Banks	Headquarters	Taglines
Capital Small Finance Bank	Jalandhar, Punjab	Vishwas Se Vikas Tak
AU Small finance Bank	Jaipur, Rajasthan	Chalo Aage Badhe
ESAF Small finance Bank	Thrissur, Kerala	Joy of Banking
Ujjivan Small Finance bank	Bengaluru, Karnataka	We Believe in Your Belief
Noth East Small Finance Bank	Guwahati, Assam	Your Doorstep Banker
Jan Small Finance Bank	Bengaluru, Karnataka	Likho Apni Kahani
Fincare Small Finance Bank	Bengaluru, Karnataka	A New Era in Smart Banking Begins
Utkarsh Small Finance Bank	Varanasi, Uttar Pradesh	Aapki Ummeed Ka Khata
Suryoday Small Finance Bank	Navi Mumbai, Maharashtra	A Bank of Smiles
Equitas Small Finance Bank	Chennai, Tamil Nadu	It's Fun Banking

Capital Small Financial Bank, founded in April, 2016 is India's first Small Finance Bank. Its headquarters is in Jalandhar, Punjab. It was founded in 2000 as Capital Local Area Bank.

Difference between Small Finance Banks and Payments Banks

Difference	Small Finance Banks	Payments Banks
Eligibility	Professionals with 10 years in financial services or promoter group with 5 years track record.	Card Issuers, finance companies, business correspondents, telecom companies, retailers, etc.
Capital Requirement	₹ 100 crore Equity Capital.	₹ 100 crore Equity Capital.
Scope of Activity	Providing basic banking facilities to poor and small businessmen	Accept deposits, issue debit cards, remittance services. Cannot issue credit cards.
Promoter Contribution	Promoter's initial contribution should be 40% lowered to 26% in 12 years.	Promoters should retain 40% stake for first 5 years.

Conditions for Setting up Small Finance Bank

- Minimum paid-up equity capital requirement of ₹ 100 crore.
- Every small finance bank must have the words **small finance bank** in its name.
- They cannot setup subsidiaries to undertake non-banking financial service activities.
- 75% of its Adjusted Net Bank Credit (ANBC) should be advanced to the priority sector as categorised by RBI.
- Maximum loan size to a single person cannot exceed 10% of total capital funds and cannot exceed 15% in the case of a group.
- At least 50% of its loans should constitute loans and advances of up to ₹ 25 lakh.
- Small banks can undertake financial services like distribution of mutual fund units, insurance products, pension products and so on, but not without prior approval from the RBI.
- A small bank can transform into a full-fledged bank, but only after RBI's approval.
- A fundamental requirement is that it must have 25% of its branches setup in unbanked areas.

Any Where Banking

Any where banking means that the customer can deposit/withdraw cash from any branch other than the branch in which he holds the account.

It is a highly secure and convenient system for online, real-time inter-branch transactions across the bank. Any Where Banking (AWB) offers greater flexibility, transaction power, convenience and ease in banking. It is considered as **24 × 7 services**.

Features of Any Where Banking

- Withdraw or remit cash through AWB cheque from any branch of bank.
- Transfer funds from one account to another in less than 10 seconds to anywhere in India.
- Cash withdrawal facility is extended to savings, current, loan and overdrafts accounts.

MUDRA Bank

Micro Units Development and Refinance Agency Bank (MUDRA Bank), is a new institution setup by the Government of India for development of micro units and refinance of Micro-Finance Institutions (MFIs) and to encourage entrepreneurship in India.

It was launched by Prime Minister Narendra Modi on **8th April, 2015**.

MUDRA Bank has been setup with only one goal in mind i.e., to fulfill all the funding needs of Non-Corporate Small Business.

MUDRA Ltd. was setup as a corporate subsidiary of Small Industries Development Bank of India (SIDBI) in March, 2015 prior to the launch of the Pradhan Mantri MUDRA Yojana (PMMY) in April, 2015. As of July, 2021, the authorised capital of MUDRA Bank is 1,000 crores and paid up capital is 750 crore, fully subscribed by SIDBI.

Need of MUDRA Bank

This bank would be responsible for regulating and refinancing all Micro-Finance Institutions (MFIs) which are in the business of lending to micro/small business entities engaged in manufacturing, trading and service activities.

The bank would partner with state level/regional level co-ordinators to provide finance to Last Mile Financer of small/micro business enterprises.

Formation of MUDRA Bank

The MUDRA Bank was set-up under the Pradhan Mantri MUDRA Yojana Scheme. The bank will initially function as a non-banking financial company and a subsidiary of the Small Industries Development Bank of India (SIDBI).

Long-term objective of MUDRA Bank is to transform itself into a separate company having regulatory and refinance authority for Micro-Finance Institutions (MFIs). It will also provide guidelines for MFIs and give them ratings.

Objectives of MUDRA Bank

- To regulate the lender and the borrower of micro-finance and to bring stability to the micro-finance system through regulation and inclusive participation.
- To extend finance and credit support to Micro-Finance Institutions (MFIs) and agencies that lend money to small businesses, retailers, self-help groups and individuals. To register all MFIs and introduce a system of performance rating and accreditation for the first time.
- This will help last mile borrowers of finance to evaluate and approach the MFI that meets their requirement best and whose past record is most satisfactory.
- This will also introduce an element of competitiveness among the MFIs. The ultimate beneficiary will be the borrower.
- To provide structured guidelines for the borrowers to follow to avoid failure of business or take corrective steps in time. MUDRA will help in laying down guidelines or acceptable procedures to be followed by the lenders to recover money in cases of default.
- To develop the standardised covenants that will form the backbone of the last-mile business in future.
- To offer Credit Guarantee Scheme for providing guarantees to loans being offered to micro businesses.
- To introduce appropriate technologies to assist in the process of efficient lending, borrowing and monitoring of distributed capital.
- To build a suitable framework under the Pradhan Mantri MUDRA Yojana for developing an efficient last-mile credit delivery system to small and micro businesses.

Categories of MUDRA Bank

Under the guideline of Pradhan Mantri MUDRA Scheme, MUDRA Bank has launched its three initiative products and their names are **Shishu**, **Kishor** and **Tarun** to signify the stage of growth and funding needs of the micro units or entrepreneur.

MUDRA Bank is refinancing through State level institutions. MUDRA will deliver the loan through NBFCs, MFIs, Rural Banks, District Banks, Nationalised Banks, Private Banks, Primary Lending Institutions and other intermediaries.

Categories of loans provided by MUDRA Bank are given below

- Shishu Category** All those businesses that have been just started and looking for loan will fall in this category. A loan cover of ₹ 50,000 will be given to all micro units falling in this category.
- Kishor Category** This one is for those who have started their business but it has not been established yet. A loan cover from ₹ 50,000 to ₹ 5 lakhs will be given to units falling into this category.
- Tarun Category** All small businesses which have been setup and established will fall into this category. There may be some financial requirements for the betterment of business. That's why, all small businesses or units falling into this category will be eligible for a loan cover of upto ₹ 10 lakh.

MUDRA Card

It is a debit card issued against the MUDRA Loan Account for working capital portion of the loan.

It can be used to make multiple withdrawals and avail credits to manage the working capital limit in an efficient and productive manner.

The limit fixed to the card is valid upto due date of the Over Draft (OD) limit and validity of card is 5 years.

Micro-Finance Banking

Micro-Finance, also called **Micro-Credit**, is a type of banking service provided to unemployed or low-income individuals or groups who otherwise would have no other access to financial services.

Micro-finance, pioneered by the Nobel-Prize winner **Muhammad Yunus**, helps the financially marginalised by providing them with the necessary capital to start a business and work toward financial independence.

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Micro-Finance Institutions (MFIs) are financial companies that provide small loans to people who do not have any access to banking facilities. The definition of small loans varies between countries.

In India, all loans that are below ₹ 1 lakh can be considered as **micro-loans**.

Essentially, micro-finance is providing loans, credit, access to savings accounts, even insurance policies and money transfers to the small business owner and entrepreneur.

Micro-Finance Institutions (MFIs) need to have a license from RBI to start their operations. MFIs offer collateral-free loans of up to ₹ 50,000 (in some cases up to ₹1,00,000) to small businesses or individuals.

Model of Micro-Finance Companies in India

The structure of Micro-Finance Companies is based on idea of decentralisation. It seeks to form informal and voluntary association of people themselves. Its model has been discussed in brief as

- **Self Help Group (SHG)** is an informal group of small entrepreneurs with similar socio-economic backgrounds. Small entrepreneurs including women come together to create a common fund to meet the emergency needs of their business. The SHG is a savings oriented group.
- **Joint Liability Group (JLG)** concept for micro-finance was started by NABARD. JLG is a group of 4-10 small farmers, rural entrepreneurs, people of the same village/locality having the same socio-economic background. The JLG is for income generation, activity-oriented groups.

Process of Micro-Finance

- It is a source of financial services for entrepreneurs and small businesses lacking access to banking and related services.
- The two main mechanisms for the delivery of financial services to such clients are as follow
 - (i) **Relationship-based** banking for individual entrepreneurs and small businesses.

- (ii) **Group-based** models, where several entrepreneurs as a group come together to apply for loans and other services.

Important Micro-Finance Companies in India

Name of Bank	Established	Headquarter
Bandhan Financial Services Limited	1995	Kolkata
Ujjivan Financial Services	2004	Bengaluru
Annapurna Finance Pvt. Ltd.	2009	Bhubaneswar
Arohan Financial Services Pvt. Ltd.	2006	Kolkata
Muthoot Micro-Finance Ltd.	2015	Kochi, Kerala

Local Area Banks

The Local Area Bank Scheme was introduced in **August, 1996** pursuant to the announcement of the then Finance Minister P. Chidambaram of India in his budget speech, the Finance Minister referred to the setting up of new private local banks with jurisdiction over two or three contiguous districts.

The main objective behind Local Area Banks is to mobilise rural saving and invest them in productive sectors of rural economy.

This banks are registered as Public Limited Companies under the Companies Act, 1949.

Local Area Banks are set up in district towns and are required to function within their own area which in normal case does not exceed three district towns.

These banks can be set up by any individual, Corporate House, Trust or Society, etc. with minimum paid up capital of ₹ 5 crores.

Currently, only three local area banks remain in India. In terms of financial performance due to the small size, concentrated ownership and concentration risks of local area banks, they are prone to adverse selection and unviable and uncompetitive cost structures.

Mutual Banking

It is a financial institution chartered by a central or regional government, without capital stock, that is owned by its members who subscribe to a common fund.

From this fund, claims, loans, etc., are paid. Profits after deductions are shared among the members. The institution is intended to provide a safe place for individual members to save and to invest those savings in mortgages, loans, stocks, bonds and other securities and to share in any profits or losses that result. The members own the business.

Islamic Banking

A banking system that is based on the Principles of Islamic Law (also known as Shariah) and is guided by Islamic Economics, is known as Islamic Banking.

Two basic principles behind Islamic Banking are the sharing of profit and loss and is significantly, the prohibition of collection and payment of interest. Collecting interest is not permitted under Islamic Law.

The Dubai Islamic Bank has the distinction of being the world's first full-fledged Islamic Bank founded in 1975. Saudi Arabia's Islamic Development Bank has decided to open its first branch in India at Ahmedabad, Gujarat. The first Islamic Banking Service has started functioning in the country in Sholapur City of Maharashtra.

RBI Guidelines for Banks

In order to further its agenda of financial inclusion and better governance of banking system, RBI comes out with guidelines for different aspects of the banking sector. Few of them are discussed below

RBI Guidelines for New Private Banks

RBI released the guidelines for 'Licensing of New Banks in the Private Sector' in February, 2013. As a part of the guidelines, RBI provided several parameters. These are as follow

- Should have a past record of sound credentials and integrity, be financially sound with a successful track record of **10 years**.

- At the start of banking operations, Non-Operative Financial Holding Company (NOFHC) should hold a minimum of 40% of the equity capital of the bank with a lock-in period of five years. Later, it has to be brought down to 15 percent within 12 years from that onwards.
- Separate set of RBI norms/conditions to launch 25% of branches in unbanked rural areas with population upto 9,999. New bank should also achieve priority sector lending target of 40%.
- FDI is capped at 49% for first five years, later as per extended norms.
- The initial minimum paid-up voting equity capital for the bank shall be 5 billion.
- The NOFHC shall initially hold a minimum of 40 percent of the paid-up voting equity capital of the bank which shall be locked in for a period of five years and which shall be brought down to 15 percent within 12 years.

RBI Allowed Banks to Merge, Shift or Close Branches in Urban Areas

- RBI has taken decision to allow banks to merge, shift or close branches in urban areas on their own discretion.
- In this regard, RBI has issued a notification that mention detailed provisions of above decision. This move will give banks greater operational freedom but it would not be valid for rural areas.
- As per RBI notification, merger, shifting or closure of any rural branch as well as a sole semi-urban branch will require prior approval of the District Level Review Committee (DLRC) or District Consultative Committee (DCC).
- Banks making changes should inform customers of its branch time before actual merger, shifting or closure of the office.

RBI Guidelines for Merger of NBFCs

- According to Reserve Bank of India (RBI), Non-Banking Financial Companies (NBFCs) will take its prior approval before buying shares of other NBFCs or for merger and acquisition with another entity.

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- This rule will be applicable to both deposit taking and non-deposit accepting companies and any infringement of it may cost the company its registration.
- Prior written clearance of RBI would also be mandatory before approaching the Court or Tribunal seeking order for mergers or amalgamations with other companies or NBFCs.

RBI Guidelines for Minors' Bank Accounts

As per the guidelines issued by the RBI, minors above 10 years of age have been allowed to open

and operate independently savings bank account and use other facilities like ATM and cheque books.

As per the modified guidelines by RBI,

- All minors can now open a savings/ fixed/recurring bank deposit account through either his/her natural guardian or legally appointed guardian.
- The minors, who have attained 10 years of age, will be permitted to open and operate savings bank accounts independently.
- The banks can also decide on the minimum documents which are required for opening of accounts by minors.

QUESTION BANK

1. Under the guidelines of Pradhan Mantri MUDRA Scheme, MUDRA Bank has launched innovative products.
(a) 2 (b) 3 (c) 4 (d) 5 (e) 6
2. Maximum amount in MUDRA Scheme is [SBI Clerk 2016]
(a) ₹ 5 lakh (b) ₹ 10 lakh
(c) ₹ 15 lakh (d) ₹ 20 lakh
(e) ₹ 25 lakh
3. MUDRA is the subsidiary of [Bank of Maharashtra PO 2016]
(a) RBI (b) SBI
(c) SIDBI (d) NABARD
(e) IDFC
4. Non-farm micro units are eligible for how much loan under Mudra Scheme? [SBI PO 2016]
(a) ₹ 5 lakh (b) ₹ 10 lakh
(c) ₹ 20 lakh (d) ₹ 25 lakh
(e) ₹ 30 lakh
5. All small businesses which have been setup and established will fall into this category.
(a) Shishu Category
(b) Kishor Category
(c) Tarun Category
(d) Both (a) and (b)
(e) Both (b) and (c)
6. A loan cover under Kishor Category of MUDRA Yojana is
(a) upto ₹ 50,000 (b) ₹ 50,000 to ₹ 2 lakh
(c) ₹ 2 lakh to ₹ 5 lakh (d) ₹ 50,000 to ₹ 5 lakh
(e) ₹ 50,000 to ₹ 10 lakh
7. A loan cover from ₹ 50,000 to ₹ 5 lakh will be given to units falling into this category.
(a) Shishu Category (b) Kishor Category
(c) Tarun Category (d) Both (a) and (b)
(e) Both (b) and (c)
8. All those businesses that have been just started and looking for loan will fall in this category.
(a) Shishu Category (b) Kishor Category
(c) Tarun Category (d) Both (a) and (b)
(e) Both (b) and (c)
9. MUDRA Bank has been setup with only one goal in mind.
(a) Fulfilling all the funding needs of small businesses
(b) Fulfilling all the funding needs of corporate small businesses
(c) Fulfilling all the funding needs of non-corporate businesses
(d) Fulfilling all the funding needs of non-corporate small businesses
(e) Fulfilling all the funding needs of corporate businesses

10. MUDRA Bank will deliver the loan through

- I. NBFCs
- II. Rural Banks
- III. District Banks
- IV. Primary Lending Institutions
- V. Nationalise Bank

Codes

- (a) I, II and III (b) I, III and IV
- (c) III, IV and V (d) II, III, IV and V
- (e) All of these

11. MUDRA Ltd. has been functional since 8th April, 2015. What is MUDRA?

- (a) Micro Units Development or Refinance Agency
- (b) Micro Units Development and Refinance Agent
- (c) Micro Units Developed and Refinance Agency
- (d) Micro Units Development and Refinance Agency
- (e) Mini Units Development and Refinance Agency

12. Reserve Bank of India released guidelines for licensing of payments banks in

- (a) 2007 (b) 2009 (c) 2011 (d) 2013
- (e) 2014

13. The objective of payments banks is to push financial inclusion by providing

- (a) small savings accounts and remittance services to migrant labour workforce
- (b) low income households
- (c) small businesses
- (d) unorganised sector entities
- (e) All of the above

14. It is mandatory for payments banks to hold minimum capital of

- (a) ₹ 50 crore (b) ₹ 100 crore
- (c) ₹ 120 crore (d) ₹ 150 crore
- (e) ₹ 200 crore

15. FDI of is allowed in payment banks.

- (a) 24% (b) 34% (c) 54% (d) 74%
- (e) 84%

16. As per guidelines of the RBI, payments banks can accept demand deposits (savings and current) upto a maximum of per customer.

[IBPS Clerk 2018]

- (a) ₹ 1,00,000 (b) ₹ 2,00,000
- (c) ₹ 50,000 (d) ₹ 5,00,000
- (e) ₹ 10,000

17. Payments banks conceptualised by the Reserve Bank of India (RBI) are a new model of banks. Which of the following can't Payments Banks do? [SBI PO Main 2018]

- (a) Issue debit cards and offer internet banking
- (b) Undertake utility bill payments
- (c) Accept remittances to be sent to or receive remittances from multiple banks
- (d) Issue credit card
- (e) Accept demand deposits

18. According to Reserve Bank of India (RBI) guidelines, payments banks are not permitted to [RBI Grade B 2015]

- (a) setup branches/ATMs
- (b) undertake utility bill payment services
- (c) issue credit cards
- (d) distribute insurance/mutual fund/pension products
- (e) undertake non-banking financial through subsidies

19. In August 2015, RBI gave nod to entities to start Payment Bank.

- (a) 5 (b) 7 (c) 11 (d) 13
- (e) 17

20. The Payments Banks will be able to

- (a) take deposits and remittances
- (b) internet banking (c) lending services
- (d) Both (a) and (b) (e) All of these

21. Who is eligible for Payment Bank?

- (a) Finance Companies
- (b) Business Correspondents
- (c) Telecom Companies
- (d) Retailers
- (e) All of the above

22. Payments Banks are a new model of banks conceptualised by the Reserve Bank of India (RBI). How much amount minimum capital has requirement for Payments Banks?

[SBI PO 2016]

- (a) ₹ 1 crore (b) ₹ 50 crore
- (c) ₹ 1,000 crore (d) ₹ 500 crore
- (e) ₹ 100 crore

23. Payments Banks can issue

- I. ATM/Debit cards
- II. Credit cards
- III. Other prepaid payment instruments

Codes

- (a) I and III (b) Only I (c) II and III (d) Only III
- (e) All of these

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- 24.** The Union Cabinet has given its approval for setting up of the IPPB. What is IPPB?
(a) India Pre Payments Bank
(b) Idea Post Payments Bank
(c) India Post Payments Bank
(d) India Post Pre Bank
(e) Indian Post office Payments Bank
- 25.** The Indian Post Payment Bank (IPPB) has to obtain banking licence from RBI by September
(a) 2016 (b) 2017 (c) 2018 (d) 2019
(e) 2020
- 26.** The India Post Payments Bank Limited (IPPBL) has received the Certificate of Incorporation from the Registrar of Companies, Ministry of Corporate Affairs under the
(a) Banking Rule, 1991
(b) Banking Act, 1980
(c) Companies Act, 2013
(d) Companies Act, 1947
(e) None of the above
- 27.** 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
- 28.** Fino pay tech is which type of bank? [SBI PO 2016]
(a) Micro bank (b) Small bank
(c) Payment bank (d) Digi Bank
(e) None of these
- 29.** Setting up of the IPPB to further financial inclusion was one of the budgetary announcements during
(a) 1998-99 (b) 2005-06
(c) 2011-12 (d) 2013-14
(e) 2015-16
- 30.** Dilip Shantilal Shanghvi (Sun Pharmaceuticals) started
(a) Small Banks (b) Payment Banks
(c) Anywhere Banks (d) IPPB
(e) IMPS
- 31.** NBFCs, any individual with 10 years of experience in banking can apply for license of
(a) Commercial Bank (b) Payment Bank
(c) Small Finance Bank (d) Both (b) and (c)
(e) None of these
- 32.** For the initial 3 years, prior approval will be required for branch expansion of
(a) Commercial bank (b) Payment bank
(c) Small finance bank (d) Private bank
(e) All of these
- 33.** Small finance banks will also have to ensure that 50% of their loan portfolio constitutes advances of upto [SBI PO 2016]
(a) ₹ 5 lakh (b) ₹ 10 lakh
(c) ₹ 20 lakh (d) ₹ 25 lakh
(e) ₹ 30 lakh
- 34.** Small Finance Banks (SFBs) will be required to extend of their Adjusted Net Bank Credit (ANBC) for priority sector lending.
(a) 60% (b) 50% (c) 25% (d) 40%
(e) 75%
- 35.** Maximum loan that can be taken from a small finance bank. [SBI Clerk 2015]
(a) ₹ 5 lakh (b) ₹ 10 lakh
(c) ₹ 15 lakh (d) ₹ 20 lakh
(e) ₹ 25 lakh
- 36.** Consider the following features of Small Finance Bank.
I. They can accept any deposit like commercial banks.
II. Their off operation will be restricted.
III. Small finance banks will be allowed to lend money also.
Which of the above statements is/are correct?
(a) I and II (b) II and III
(c) I, II and III (d) I and III
(e) Only III
- 37.** Capital Small Finance Bank Limited has its headquarter at [SBI PO 2016]
(a) Jalandhar (b) Dehradun
(c) Patna (d) Jaipur
(e) Bengaluru
- 38.** Target businesses of Small Financial Bank is
(a) Small businesses and MSMEs
(b) Non-schedule bank (c) Cooperative bank
(d) Builders (e) Manufacture sector
- 39.** Some of the conditions for setting up small banks are
(a) Minimum paid up equity capital requirement of ₹ 100 crore
(b) Every small finance bank must have the words "small finance bank" in its name

- (c) They cannot setup subsidiaries to undertake non-banking financial service activities
(d) Both (a) and (c)
(e) All of the above
- 40.** A small bank can transform into a full-fledged bank, but only after
(a) SBI's approved
(b) GoI's approved
(c) RBI's approved
(d) Finance Minister's approved
(e) None of the above
- 41.** Small Bank can accept which of the following deposit?
I. Savings deposits
II. Current deposits
III. Fixed deposits
IV. Recurring deposits
Codes
(a) I, II and IV (b) II and IV
(c) I, II, III and IV (d) II, III and IV
(e) I and IV
- 42.** Micro-finance is also called
(a) Paytm (b) Payment Bank
(c) Small Bank (d) Micro Credit
(e) None of these
- 43.** Annapurna Finance Pvt. Ltd established in
(a) 1990 (b) 1995 (c) 1999 (d) 2001
(e) 2009
- 44.** Local Area Bank Scheme was introduced in India in
(a) 1947 (b) 1956 (c) 1980 (d) 1991
(e) 1996
- 45.** Local area banks are registered as
(a) Financial Banks
(b) Public Limited Companies
(c) Public Sector Units
(d) Semi-Nationalised Banks
(e) Self-Help Group
- 46.** Local area banks are required to function within their own area which in normal case does not exceed district towns.
(a) 3 (b) 11
(c) 15 (d) 100
(e) 200
- 47.** AWB offers you greater flexibility, transaction power, convenience and ease in banking. What is AWB? [IBPS Clerk 2012]
(a) Any Where Banking
(b) All Wonder Banking
(c) Any Working Banking
(d) All Working Banking
(e) All Will Banking
- 48.** Islamic banking is a banking or banking activity that is consistent with the principles of
(a) Debit law
(b) Credit law
(c) Sharia
(d) Indian banking law
(e) International banking law
- 49.** Consider the following statement(s) regarding Islamic Banking.
I. It is based on the principles of Islamic Law also known Sharia.
II. The Dubai Islamic Bank is the world's first full-fledged Islamic Bank.
III. Collecting interest is not permitted under Islamic Law.
Codes
(a) I and II (b) II and III
(c) I and III (d) I, II and III
(e) Only III
- 50.** RBI allowed bank to merge, shift or close branches of
(a) rural areas (b) semi-rural areas
(c) urban areas (d) Both (a) and (c)
(e) None of these

Answers

1. (b)	2. (b)	3. (c)	4. (b)	5. (c)	6. (d)	7. (b)	8. (a)	9. (d)	10. (e)
11. (d)	12. (c)	13. (e)	14. (b)	15. (d)	16. (b)	17. (d)	18. (c)	19. (c)	20. (d)
21. (e)	22. (e)	23. (a)	24. (c)	25. (b)	26. (c)	27. (b)	28. (b)	29. (e)	30. (b)
31. (c)	32. (c)	33. (d)	34. (c)	35. (e)	36. (c)	37. (a)	38. (a)	39. (b)	40. (c)
41. (d)	42. (d)	43. (e)	44. (e)	45. (b)	46. (a)	47. (a)	48. (c)	49. (d)	50. (c)

BANKING SERVICES IN INDIA

Bank accept deposits of money from the general public and provide lots of general services. The important types of general services are explained below

Cheque

Cheque is also called **negotiable instrument**. In banking terms, a negotiable instrument is a document that promises its bearer a payment of the specific amount either for furnishing the document to the banker or by a given date.

In simple words, it is a bill of exchange. From 1st April, 2012, cheques, drafts, pay orders and banker's cheques will be valid for only 3 months.

The meanings of terminologies associated with Cheque are given below

- (i) **Drawer** A person who has an account in bank and who draws a cheque for making payment.
- (ii) **Drawee** A drawee is a person by whom the cheque is drawn.
- (iii) **Payee** A payee is the person to whom the amount stated in the cheque is payable.

Types of Cheque

1. **Order Cheque** A cheque payable to particular person on his order is called an order cheque.
2. **Bearer Cheque** A cheque which is payable to a person, whosoever bears, is called a bearer cheque.
3. **Blank Cheque** A cheque on which the drawer puts his signature and leaves all other columns blank, is called a blank cheque.
4. **Stale Cheque** The cheque which is more than 3 months old is called a stale cheque.
5. **Multilated Cheque** If a cheque is turn into two or more pieces, it is termed as multilated cheque.
6. **Post-Dated Cheque** If a cheque bears a later date than the date of issue, it is termed as post-dated cheque.
7. **Ante-date Cheque** Ante-date cheque refers to the cheque where a date entered is prior to the actual date of occurrence. It can sometimes be used if a contract has been delayed, to make sure the parties do not suffer from delays in the contract.
8. **Crossed Cheque** A cheque which carries two parallel transverse lines across the face of cheque with/without words 'and co', is said to be crossed cheque. It makes them ineligible to endorse to a person other than the payee.

9. **Open Cheque** A cheque which has not been crossed, is called an open cheque. Even if a cheque is crossed and subsequently the drawer has cancelled the crossing at the request of the payee and affixes his full signature with words 'crossing cancelled pay cash', it becomes an open cheque.
10. **Account Payee Cheque** It simply means drawing two parallel lines on the left corner of the cheque and writing the words 'Account Payee' or 'A/c Payee' between those lines.
11. **Gift Cheque** This cheque is used for gifting money to the close friends and associates. It is issued by the bank in various denominations.
12. **Travellers' Cheque** It is an instrument issued by a bank for remittance of money from one place to another.
13. **MICR Cheque** The Reserve Bank of India (RBI) has introduced mechanised cheque processing system using Magnetic Ink Character Recognition (MICR) technology initially in the four metropolitan cities of Bombay, Calcutta, Madras and New Delhi in 1987. From January 2019, it is compulsory for all banks.

The MICR code has nine digits. The first three digits in the MICR code represent the city code, that is the city in which the bank branch is located. The next three digits stand for the bank code while last three digits represent the bank branch code.

Bank Draft

It is a bill of exchange. It is written bank orders for payment of money by its branch or another bank specified therein, to repay a specified sum of money to a specified person or to his order. Usually, banks charge a standard rate of service/issue charges on these drafts.

Difference between a Cheque and a Demand Draft

- A cheque is issued by an individual, whereas a demand draft is issued by a bank.
- A cheque is drawn by an account holder of a bank whereas a draft is drawn by one branch of a bank to another branch of the same bank.
- A cheque can be made payable either to a bearer or order, But a demand draft is always payable to order of certain person.

Bank Account

A bank account is a financial account maintained by a bank or other financial institution in which the financial transactions between the bank and a customer are recorded. The most important documents for opening a bank account are address proof and identity proof.

Types of Bank Account

List of some of the types of bank account in India is as follows

1. **Saving Account** A saving bank account is a regular deposit account, where you earn a minimum rate of interest. Here, the number of transactions you can make each month is capped. Banks offer a variety of saving accounts based on the type of depositor, features of the product, age or purpose of holding the account and so on. A saving bank account opened with a commercial bank with zero balance or very minimal balance is known as No Frill Account.
2. **Current Account** A current account is a deposit account for traders, business owners, and entrepreneurs, who need to make and receive payments more often than others. These accounts hold more liquid deposits with no limit on the number of transactions per day.

Also, unlike saving account, where you earn some interest, these are zero-interest bearing accounts. You need to maintain a minimum balance to be able to operate current account.

3. **Salary Account** Among the different types of bank account, your salary account is the one you have opened as per the tie-up between your employer and the bank.

This is the account, where salaries of every employee are credited to at the beginning of the pay cycle. Employees can pick their type of salary account based on the features they want.

4. **Fixed Deposit Account** Fixed Deposit (FD) account allows you to earn a fixed rate of interest for keeping a certain sum of money locked in for a given time, that is until the FD matures.

FDs range between a maturity period of seven days to 10 years. The rate of interest you earn on FDs will vary depending on the tenure of the FD. Generally, you cannot withdraw money from the FD before it matures. Some banks offer a premature withdrawal facility. But in that case, the interest rate you earn is lower.

5. **Recurring Deposit Account** A Recurring Deposit (RD) has a fixed tenure. Person need to invest a fixed sum of money in it regularly, every month or once a quarter, to earn interest.

Unlike FDs, where person need to make a lump sum deposit, the sum person need to invest here is smaller and more frequent. Person cannot change the tenure of the RD and the amount to be invested each month or quarter.

Even in the case of RDs, person face a penalty in the form of a lower interest rate for premature withdrawal. The maturity period of RD could range between six months to 10 years.

Demat Account

It is an account that is used to hold shares and securities in electronic format. In India, demat accounts are maintained by two depository organisations, National Securities Depository Limited and Central Depository Services Limited. A depository participant, such as bank acts as an intermediary between the investor and the depository.

6. **NRI Account** It refers to the account opened by a Non-Resident Indian (NRI) or a Person of Indian Origin (PIO) with a bank or a financial institution which is authorised by the RBI to provide various services. In general, there are two types of NRI account. They are given below

- (i) Non-Resident External (NRE) Account
- (ii) Non-Resident Ordinary (NRO) Account

7. **Loan Account** It is used to track transactions related to a loan, which include interest, repayment and any applicable charges. The loan account is a specific instance of a loan product, with a specified interest rate and an account number and it is owned by a specified customer.

Value Added Services

Value added services provided by Commercial Bank are as follow

- Safe deposit locker facility
- Travellers' cheques
- Premium of insurance
- E-banking facilities
- Anywhere banking
- ATM facilities
- Credit card facilities
- ATM debit card facilities

Important Banking Terminologies

The banking and financial sector often involves use of complex terminologies in various domains. Some of them are explained below

Application Supported by Blocked Amount (ASBA)

Application Supported by Blocked Amount (ASBA) is an application made by an investor, containing an authorisation to Self-Certified Syndicate Bank (SCSB) to block funds available in applicant's Savings Bank Account or Current Account (other than Overdraft or loan accounts), for subscribing to an Issue, to the extent of application money, till finalisation of allotment in the issue or till withdrawal/ failure of issue, or till withdrawal/ rejection of application, as the case may be.

It is a supplementary process available for all public issues made through book building route and also to all Debts and Right Issues. ASBA facility can be used for Initial Public Offer (IPO) and Follow-on Public Offer (FPO).

Letter of Credit

A Letter of Credit (LC), also known as a Documentary Credit or Bankers Commercial Credit, or Letter of Undertaking (LoU). It is a payment mechanism used in international trade to provide an economic guarantee from a creditworthy bank to an exporter of goods.

Letter of Credit is used extensively in the financing of international trade, where the reliability of contracting parties cannot be readily and easily determined.

Non-Performing Asset

A Non-Performing Asset (NPA) is a loan or advance for which the principal or interest payment remained overdue for a period of 90 days.

There are different types of non-performing asset depending on how long they remain in the NPA category

- (i) **Sub-Standard Asset** An asset is classified as a sub-standard asset if it remains as an NPA for a period of less than or equal to 12 months.
- (ii) **Doubtful Asset** An asset is classified as a doubtful asset if it remained as an NPA for more than 12 months.
- (iii) **Loss Asset** An asset is considered as a loss asset when it is 'uncollectible' or has such little value that its continuance as a bankable asset is not suggested. However, there may be some recovery value left in it as the asset has not been written off wholly or in parts.

Write-off

A write-off is a reduction of the recognised value of something. In accounting, this is a recognition of the reduced or zero value of an asset.

A loan write-off is a tool used by banks to clean up their balance-sheets. It is applied in the cases of bad loans or Non-Performing Assets (NPAs).

Loan

A loan is a sum of money that one or more individuals or companies borrow from banks or other financial institutions so as to financially manage planned or unplanned events.

In doing so, the borrower incurs a debt, which he has to pay back with interest and within a given period of time. There are many types of loan including Home loan, Personal loan, Car loan, Education loan, etc.

New Banking Services in India

The banking industry has become one of the developed service sector industries in India.

In the last decade, India has seen a shift from traditional payment methods i.e., cash/paper-based payment to modern electronic based payment system through various means such as core banking, prepaid payment instruments, ATM, electronic banking, bank card, etc.

Electronic Banking

Electronic banking, also known as Electronic Funds Transfer (EFT), is simply the use of electronic means to transfer funds directly from one account to another, rather than by cheque or cash.

Some important electronic banking services are

- **Direct Deposit and Withdrawal Service** It allows consumers to authorise specific deposits, such as pay cheques or social security cheques, to their accounts on a regular basis.
- **Banking through Telephone** It allows consumers to pay certain bills or to transfer funds between accounts, just by calling in their bank. This service has been gradually replaced by mobile banking.
- **Point-of-Sale (PoS) Transfer Terminal** It allows consumers to pay for retail purchase with a cheque card, a new name for debit card. This card looks like a credit card, but with a significant difference, the money for the purchase is transferred immediately from your account to the store's account.

- **Personal Computer Banking Service** It offers consumers the convenience of conducting many banking transactions electronically using a Personal Computer (PC).
- **Internet Banking** It is also known as online banking, web banking, e-banking, etc. It is an electronic payment system that enables customers of a bank or other financial institution to conduct a range of financial transactions through online mode.
- **Home Banking** The practice of conducting banking transactions from home rather than at branch locations is known as home banking. Home banking generally refers to either banking over the telephone or on the internet.
- **Smart Card** It is a physical card that has an embedded integrated chip that acts as a security token. It is sometimes called Stored-Value Card. It has a specific amount of credit embedded electronically in the card.
- **Direct Deposit System** It is also known as Direct Credit. It is a banking term that describes a deposit of money straight from the source into a bank account, by electronic funds transfer or other means where the payment is initiated by the payer not the payee. The money is transferred directly to the recipient bank through a payment system.
- **Mobile Banking** It is a system that allows customers of a financial institution to conduct a number of financial transactions through a mobile device such as a mobile phone or personal digital assistant.

Bank Card

A Bank Card is typically a plastic card issued by a bank to its clients that performs one or more services that relate to giving the client access to funds, either from the client's own bank account, or through a credit account.

Cards can be classified on the basis of their issuance, usage and payment by the cardholder.

Types of Card

There are several different type of cards issued by the banks which allows you to access your money. Current account usually include the option of an ATM card and often a debit card. Most banks offer both ATM and debit facilities on the one card. Below are the different payment cards and features of each type of card for better understanding.

1. Credit Card

A feature of a credit card is that the issuer of the card creates a line of credits (usually called a credit limit) for the cardholder on which the cardholder can draw (i.e. borrow) payment to a merchant in making a purchase or as a cash advance to the cardholder.

Most credit cards are issued by or through local banks or credit unions, but some non-bank financial institutions also offer cards directly to the public.

The credit cards are used for purchase of goods and services at Point of Sale (PoS) and E-commerce (online purchase) through Interactive Voice Response (IVR)/Recurring Transactions/ Mail Order Telephone Order (MOTO).

These cards can be used domestically and internationally (provided it is enabled for international use).

The credit cards can be used to withdraw cash from an ATM and for transferring funds to bank accounts, debit cards, credit cards and prepaid cards within the country. In India, **Andhra Bank** was the first to introduce credit card in 1981.

2. Debit Card

A feature of debit card is that when a cardholder makes a purchase, funds are withdrawn directly from either the cardholder's bank account or from the remaining balance of the card.

A new category of debit card has been developed which can exclusively be used on the internet platform. It obviates the need of physical cards.

The debit cards are used to withdraw cash from an ATM, purchase of goods and services at Point of Sale (PoS)/E-commerce (online purchase) both domestically and internationally (provided it is enabled for international use).

It can be used only for domestic fund transfer from one person to another. All existing account holders are target market for debit card.

3. Charge Card

A charge card is a type of electronic payment card without any interest charged but it requires the cardholder to pay for the statement balance in full.

Charge cards look like credit cards and functions the same way to make purchases. They often have some of the same features, including rewards and perks. But they're designed to be paid off immediately. Some retailers offer charge cards for use at their own stores.

4. ATM Card

An ATM card is any card that can be used in Automated Teller Machines (ATMs) for transactions such as deposits, cash withdrawals, obtaining account information and other types of transactions, often through interbank networks.

5. Stored Value Card

A feature of a stored value card is that a monetary value is stored on the card, and not in an externally recorded account and differs from prepaid card where money is on deposit with the issuer similar to a debit card.

6. Smart Card

A smart card is a plastic card. Its size is same as credit card, with an embedded microchip that can be loaded with data. It can be used for telephone calling, electronic cash payments and other applications and then it can be periodically refreshed for additional use.

7. RuPay Card

RuPay is an Indian domestic card scheme conceived and launched by the National Payments Corporation of India (NPCI).

It was created to fulfill the Reserve Bank of India's goal to have a domestic, open loop, and multilateral system of payments in India.

The Rupay card, a prepaid debit card, was launched as the Dhan Aadhaar Card in December, 2011. The Unique Identification Authority of India (UIDAI) is a central government agency of India which issues a 12-digit unique identity number called Aadhaar to each resident.

8. Master Card

Master Card is a payment network processor. It partners with financial institutions which issues payment cards that are processed exclusively on the Master Card network. Master Card's primary source of revenue comes from the fees it charges from issuers based on each card's gross volume. Master Card was converted from a privately held company to a public company on 25th May, 2006.

Its principal business is to process payment between banks of merchants. RBI has banned Master Card for issuing new debit/credit cards from 22nd July, 2021 as it failed to comply with the data storage norms.

9. VISA Card

VISA Card is a type of debit card on VISA network. It has a VISA logo and can be accepted to pay for the things and money can also be drawn directly from your account.

These are the debit cards, which are subject to a daily limit, and/or a maximum limit equal to the current/checking account balance from which it draws funds.

9. Kisan Gold Card

This is a hassle free term loan card that enables to avail loan for agricultural implements, land development, repair of farm machinery, consumption needs, etc.

Farmers have the choice in regard to amount, time and purpose. The amount of loan is 5 times the annual farm income with the maximum limit of ₹ 5 lakhs. For the consumption purpose it should not exceed 20% of the limit.

Important Terms Related to Bank Card

Personal Identification Number (PIN) It is a numeric password used to authenticate a user to a system, in particular, in association with an ATM card.

The PIN is not printed or embedded on the card but is manually entered by the cardholder during Automated Teller Machine (ATM) and Point of Sale (PoS) transactions.

One Time Password (OTP) It is a unique 6-character code that can only be used once and is sent to your registered mobile number in online banking.

After encoding your user ID and password, you will also be required to enter the correct OTP to complete the login process. It serves as your second password that's unique with every login and expires 5 minutes after it is received by user.

Card Verification Value (CVV) It is a combination of features used in credit, debit and Automated Teller Machine (ATM) cards for the purpose of establishing the owner's identity and minimising the risk of fraud. CVV is also known as Card Security Code (CSC).

On a typical credit card, there are two components to the CVV. The first code is recorded by the card issuer in a magnetic strip that runs lengthwise along the back of the card.

The second code is a three digit numeral printed flat on the card, separate from the longer, embossed account numeral.

Green PIN It is the One Time Password (OTP) sent to the customer's mobile number with which the customer can set the debit card PIN at the bank's ATM. Apart from being convenient and time saving in both interfaces of the transaction, the system is also environment friendly. PNB started this facility in January, 2016.

List of Facilities Launched by Banks

Airtel money	AXIS Bank + Airtel
B pay	Fina Payments Bank
Chillr	HDFC Bank
Digital Banking 'Pocket'	ICICI
Digital Gold	Paytm
DigiLocker	Government of India
eforex	SBI
e-KYC	SBI
EMI on Debit Card	ICICI Bank
eWallet	IRCTC
e-Mulya	CBSE
First home grown Index 'Composite Index'	SBI
i Mobile App	ICICI Bank
Kisan Card	AXIS Bank
M-Pesa	ICICI+Vodafone
M-Wallet	Canara Bank
Mi Pay	ICICI (Xiami launched)
State Bank Freedom App	State Bank of India
Student Travel Card	ICICI
TAB Banking Facility	SBI
Wave N Pay	Punjab National Bank
YONO Cash	SBI

Prepaid Payment Instruments

Prepaid payment instruments are payment instruments that facilitate purchase of goods and services, including funds transfer against the value stored on such instruments.

The value stored on such instruments represents the value paid by the holders by cash, by debit to a bank account, or by credit card.

The prepaid payment instruments can be issued as smart cards, magnetic stripe cards, internet

accounts, internet wallets, mobile accounts, mobile wallets, paper vouchers and any such instrument which can be used to access the prepaid amount collectively are called Prepaid Payment Instruments.

Core Banking System

Core banking is a type of banking in which a person who opens a bank account in a branch of a bank, will become a customer not only of that branch, but he becomes a customer of all branches of the bank and can conduct banking transactions anywhere and anytime.

Customer can deposit and withdraw cash from anywhere at the branches of the same bank. Customer relationship management activities are elements of core banking.

Core banking is a general term used to describe the services provided by a group of networked bank branches. Core banking is basically depositing and lending of money.

Normal core banking functions will include deposit accounts, loans, mortgages and payments. Banks make these services available across multiple channels like ATMs, internet banking and branches.

It is a centralised database with online connectivity to branches, internet as well as ATM networks. It has been adopted by almost all major banks of our country.

Indian Financial Network (INFINET)

- It was setup by the **RBI in 1999** through the **IDRBT, Hyderabad**.
- INFINET is Closed User Group (CUG) Network for the exclusive use of Member Banks and Financial Institutions. It connects all India's financial institutions.
- It is the communication backbone of the Indian Banking and Financial Sector.
- All banks in the public sector, private sector, co-operative, etc., and the premier financial institutions in the country are eligible to become members of the INFINET.

Institute for Development and Research in Banking Technology (IDRBT) in 2004 developed National Financial Switch (NFS) to connect the ATMs in the country.

Automated Teller Machine

Automated Teller Machine (ATM) is a computerised 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 benefits of ATM to customers are

- Provide 24×7 and 365 days a year service.
- Offer quicker and efficient service.
- Allow privacy in transactions.
- Provide error free service.

The benefits of ATM to banks are

- It is an alternative to extend banking hours.
- It is an alternative for opening new branches.
- It reduces the operating expenses of the bank.
- It relieves the bank employees from routine transactions so that they can focus more on analytical and innovative work.

Important Facts About ATM in India

- First bank to introduce ATM in India is HSBC, in 1987 in Mumbai.
- ICICI was the first bank to provide Mobile ATM.
- India's first talking ATM launched by Union Bank of India (UBI) for visually impaired was launched in Ahmedabad (Gujarat).
- The National Payments Corporation of India (NPCI) launched India's first rural bank ATM card with a regional rural bank in Varanasi.
- India's first non-bank owned ATM opens in Thane district, Maharashtra by Tata Communication Payments Solutions Ltd in June, 2013 (Indi Cash).

Types of ATM

1. **White Label ATM** The ATMs setup, owned and operated by non-banks are called White Label ATMs. Non-banking entities have entered in the business of owning ATMs where customers of different banks can

withdraw or deposit cash from their respective bank accounts. White Label ATMs do not have logo (symbol), as they are setup by non-banking entities. The RBI has authorised non-banks to operate 'White Label ATMs' under the provisions of Payment and Settlement Systems Act, 2007.

2. **Brown Label ATM** These are those ATMs where hardware and the lease of the ATM machine is owned by a service provider.

But cash management and connectivity to banking networks is provided by a sponsor bank whose brand is used on the ATM. The 'brown label' has come up as an alternative between bank-owned ATMs and 'white label' ATMs.

3. **Online ATMs** These ATMs are connected to the bank's database at all times and provide real time transactions online. The withdrawal limits and account balances are constantly monitored by the bank.
4. **Offline ATMs** These ATMs are not connected to bank's database, hence they have a pre-defined withdrawal limit fixed and customer can withdraw that amount irrespective of the balance in his account. Banks may charge some penalty for exceeding balance.
5. **Stand Alone ATM** These are not connected with any ATM network, hence their transactions are restricted to the ATM's branch and link branches only. The opposite of Stand Alone ATMs are Networked ATMs, which are connected to the ATM Network.
6. **Onsite ATMs** These are ATM machines that are setup in the premises where there is a bank branch so that both the physical branch and the ATM can be used. This is known as being onsite and can be used for several purposes.
7. **Offsite ATMs** These are the machines that are setup on a stand alone basis. This means that the bank has a place where there is only

an ATM machine, then this becomes an offsite ATM. As per RBI directives, through offsite ATMs the banks may provide the facilities of interbank transfers, PIN change, requisition of cheque books, etc.

Other Types of ATM

1. **Worksite ATM** It is located within the premises of an organisation and is generally meant only for the employees of the organisation.
2. **Mobile ATM** It refers to an ATM that moves in various areas for the customers. Few private banks have introduced ATM on wheels.
3. **Green Label ATM** It refers to an ATM dedicated solely for making transactions for agriculture purposes.
4. **Orange Label ATM** These ATMs are used in Share Transactions.
5. **Yellow Label ATM** These ATMs are mainly installed to provide e-commerce facility.
6. **Pink Label ATM** These ATMs are meant only for women.

New Banking Services Through ATMs

- The Reserve Bank of India allowed banks to extend all their banking products and services on **14th January, 2016** through their ATM, provided their technology allows the same.
- Until now banks could only extend services that were 'approved' by the RBI.
- These included deposits and withdrawals, PIN change, cheque book requisition, statement of account, balance enquiry, fund transfer, bill payments and railway tickets, and financial products such as loans, insurance and credit cards.
- **SBI** has the largest ATM network of approx 48,000 machines followed by **ICICI Bank** (13,000), **Axis Bank** (12,500) and **HDFC Bank** (12,000).

ATM Insurance Policy

- Automated Teller Machine (ATM) cardholders of both public and private sector banks are eligible for accidental hospitalisation cover and accidental death cover by the card issuing bank.
- It ranges between ₹ 50,000 to ₹ 20 lakh.
- The insurance cannot be availed for inoperative account.
- It is being claimed that if a person has a bank account and uses an ATM card, he is entitled to accidental insurance extended by the bank without any fee.
- It is being also claimed that if someone dies within 45 days of using the ATM card, his family can claim the insurance amount.

Allocation of Insurance Amount Depending on Card's Type

- If the customer's card is of VISA type, then insurance amount is upto ₹ 2 lakh.
- If the customer's card is of Platinum type, then insurance amount is upto ₹ 2 lakh.
- If the customer have Kisan card or Classic card, then insurance amount is upto ₹ 50,000.
- If the customer have Gold or Master card, then insurance amount is upto ₹ 5 lakh - ₹ 20 lakh.

Cardless Cash Facility at ATM

- Bank offers this new cardless cash facility called 'Cash-on-Mobile' which one can get through newly launched mobile banking application.

- The facility enables to withdraw cash from an ATM without using your ATM/debit card. The service is free of cost.
- Customers will be able to make intra-bank, mobile-to-mobile, mobile-to-account fund transfers and even Net Electronic Funds Transfer (NEFT).
- Interbank Mobile Payment Service (IMPS) is a part of this mobile application. Customers can withdraw upto ₹ 5,000 per day through Cash-on-Mobile.

Cash Deposit Machine (CDM)

The Cash Deposit Machine, better known as CDM is an ATM like machine that allows customers to deposit cash directly into their account using the ATM cum debit card.

This machine instantly credit in account without visiting the branch. The transaction receipt also gives updated account balance.

Some of the salient features of this product are

- Instant credit of cash deposit into account.
- Quick and convenient way to deposit cash.
- Paperless transaction.
- The per transaction limit is ₹ 49,900.
- Upto 200 currency notes can be deposited in a single transaction.
- The CDM only accepts denominations of ₹ 100, ₹ 200, ₹ 500 and ₹ 2000.
- Besides cash deposition facility, other services such as PIN change, balance enquiry and mini statement of accounts can also be availed at CDM.

QUESTION BANK

- 1.** In our country, a cheque remains valid for payment for from the date of issue.
[IBPS Clerk 2011]

(a) 3 months (b) 6 months
(c) 9 months (d) 12 months
(e) 18 months
- 2.** What is the alphanumeric code on cheques called?
[SBI PO 2014]

(a) RTGS (b) MICR (c) IFSC (d) NEFT
(e) CC
- 3.** When the signature of the drawer of a cheque is not genuine, such a cheque is called
[SBI PO Main 2017]

(a) Cross cheque (b) Stale cheque
(c) Forged cheque (d) Post dated cheque
(e) None of these
- 4.** A cheque is considered as stale when it has been in circulation for [SBI PO Main 2017]

(a) More than forty eight hours
(b) More than one year
(c) More than six months unless otherwise specified
(d) More than three months
(e) None of the above
- 5.** Crossing of cheques makes them
[IBPS Clerk 2011]

(a) invalid document
(b) ineligible to endorse to a person other than the payee
(c) remain the same in all respect, it is only a practice
(d) eligible for payment irrespective of sufficient balance in the account
(e) ineligible to get cash across the bank counter
- 6.** If a cheque is postdated, the bank on which it is drawn [IBPS Clerk 2011]

(a) will not honour the cheque before the date of the cheque
(b) has to honour the cheque before the date of the cheque
(c) has the option to honour the cheque before the date of the cheque or not
(d) has to refer to RBI to honour the cheque before the date of the cheque
(e) has to refer to the court to honour the cheque before the date of the cheque
- 7.** In which of the following accounts is operation by cheques permitted?
[IBPS Clerk 2011]

(a) Saving bank accounts and fixed deposit accounts
(b) Current accounts and fixed deposit accounts
(c) Saving bank accounts and floating loan accounts
(d) Saving bank accounts and cash accounts
(e) Saving bank accounts and current accounts
- 8.** A traveller's cheque is [IBPS Clerk 2011]

(a) a supplementary credit card.
(b) a cheque issued by a bank or financial institution which functions as capital.
(c) a certificate issued by a bank or financial institution in lieu of cash.
(d) a cheque issued by a bank or financial institution which functions as a bond.
(e) a prepaid instrument issued by a bank or finance institution which can be substitute of cash.
- 9.** If a crossed cheque is presented for payment [IBPS Clerk 2011]

(a) cash can be paid across the counter to the presenter.
(b) cash can be paid across the counter to the account holder only.
(c) it can be paid only through a banker.
(d) it cannot be paid at all.
(e) it can be paid across the counter in another bank.
- 10.** 'Crossing' applies to which of the following instruments?
[IBPS Clerk 2011]

(a) Cheques (b) Bills
(c) Promissory Notes (d) Hundies
(e) Fixed Deposit Receipts
- 11.** A saving bank deposit account is one where [IBPS Clerk 2011]

(a) the deposits are made only once in a year
(b) amounts are deposited and are withdrawn as per the requirement of the customers
(c) periodical fixed amounts are deposited month wise and withdrawals are allowed after a fixed period
(d) the deposits are made once in every month
(e) None of the above

12. Saving bank accounts are opened by

[IBPS Clerk 2011]

- (a) Trading entities, manufacturing entities and individuals for savings purposes
- (b) Traders and manufacturers for business purposes
- (c) Individuals for savings purposes
- (d) Limited companies and partnerships for savings purposes
- (e) Cooperative banks for savings

13. Which of the following is NOT required for opening a bank account? [IBPS PO/MT 2012]

- (a) Identity Proof (b) Address Proof
- (c) Recent Photographs (d) Domicile Certificate
- (e) None of these

14. A Saving Bank Account opened with a commercial bank with zero balance or very minimal balance is known as

[IBPS Clerk 2011]

- (a) Savings Bank Ordinary Account
- (b) Student Savings Bank Account
- (c) No Frill Account
- (d) Current Account
- (e) Call Deposit Account

15. In a bank, which of the following are the usual types of accounts? [IBPS Clerk 2011]

- (a) Saving accounts, Electricity accounts and Insurance premium accounts
- (b) Fixed deposits, Post office savings bank accounts and Current deposit accounts
- (c) Current accounts, Savings bank accounts and Term deposit accounts
- (d) Loan accounts, Savings bank accounts and Term deposit accounts
- (e) Current bill accounts and term deposit accounts

16. 'Nomination' for a deposit account in the bank means [IBPS Clerk 2011]

- (a) mandate given by the close relative/s of the depositor to settle the death claim in case of death of the depositor.
- (b) mandate decided by the bank to settle the death claim of its depositor.
- (c) mandate of the depositor in favour of one or more persons to claim the amount on death of the depositor.
- (d) mandate of the depositor in favour of a close relative who can claim the amount on death of the depositor.

- (e) court order instructing the banks to settle the death claim of its depositor.

17. The usual deposit accounts of banks are

[IBPS PO/MT 2011]

- (a) Current accounts, electricity accounts and insurance premium accounts
- (b) Current accounts, Post office savings bank accounts and term deposit accounts
- (c) Loan accounts, savings bank accounts and term deposit accounts
- (d) Current accounts, savings bank accounts and term deposit accounts
- (e) Current bill accounts and term deposit accounts

18. Which of the following types of accounts are known as 'Demat Accounts'?

[IBPS PO/MT 2011]

- (a) Accounts which are Zero Balance Accounts
- (b) Accounts which are opened to facilitate repayment of a loan taken from the bank. No other business can be conducted from the bank. No other business can be conducted from there
- (c) Accounts in which shares of various companies are traded in electronic form
- (d) Accounts which are operated through internet banking facility
- (e) None of the above

19. The abbreviation ASBA stands for

[SBI PO 2011]

- (a) Applications Supported by Blocked Account
- (b) Applications Supported by Bank Amount
- (c) Applications Serviced by Blocked Account
- (d) Applications Serviced by Bank Account
- (e) Applications Supported by Blocked Amount

20. Which of the following is the main advantage of 'ASBA' applicants for share allotment? [IBPS Specialist Officer 2012]

- (a) They have got secured allotment of shares
- (b) They have got certain preference in allotment of shares as compared to general applicants
- (c) They need not remit the fund for allotment of shares, they will do so after shares are allotted to them
- (d) Their deposit/OD account is not debited, only the funds are blocked for the same and they continue to avail interest till the shares are allotted to them
- (e) None of the above

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- 21.** The ratio of deposits to loans of a bank is known as [SBI Clerk 2015]
(a) NPA coverage ratio
(b) Return on asset ratio
(c) Asset coverage ratio
(d) CD ratio
(e) Other than those given as options
- 22.** A non-performing asset is [SBI PO 2013]
(a) money at call and short notice
(b) an asset that ceases to generate income
(c) cash balance in till
(d) cash balance with RBI
(e) balance with other banks
- 23.** In a bank's balance sheet, which of the following is an asset? [SBI Clerk 2015]
(a) Its paid up capital
(b) Its saving deposits
(c) Its investment in government securities
(d) Its accumulated reserve funds
(e) Its current deposits
- 24.** Mobile banking requires [IBPS Clerk 2011]
(a) account with a bank with mobile phone linked to interbank mobile payment service
(b) account with mobile post office
(c) account with bank along with mobile phone linked to international mobile payment service
(d) account with bank and mobile phone linked to interstate mobile payment service
(e) account with bank along with mobile phone linked to inter-district mobile payment service
- 25.** A lot of banks in India these days are offering M-Banking facility to their customers. What is the full form of 'M' in 'M-Banking'?
(a) Money
(b) Marginal
(c) Message
(d) Mutual fund
(e) Mobile phone
- 26.** 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 the above
- 27.** Which among the following can be called an electronic check? [IBPS PO 2011]
(a) Debit Card (b) Smart Card
(c) Credit Card (d) Visa Card
(e) None of these
- 28.** A card stores and provides identification, authentication, data storage and application processing. [IBPS Clerk 2017]
(a) Debit Card (b) Smart Card
(c) Credit Card (d) ATM Card
(e) None of these
- 29.** 'Buy Now Pay Now' refers to which of the following? [IBPS Clerk 2014]
(a) Affinity Card (b) Smart Card
(c) Business Card (d) Credit Card
(e) Debit Card
- 30.** The target market for Debit Cards is [SBI PO 2013]
(a) all existing account holders
(b) all agriculturists
(c) all DSAs
(d) all vendors
(e) all outsourced agents
- 31.** The term 'Plastic money' refers to [SBI Associates 2012]
(a) ATM/Credit Cards
(b) Plastic Coated Currency Notes
(c) Foreign Currency Notes
(d) Travellers' Cheque
(e) None of the above
- 32.** Which among the following is not a payment card technology? [IBPS PO 2011]
(a) Magnetic Stripe Card
(b) Smart Card
(c) Fleet Card
(d) All of them are payment card technologies
(e) None of the above
- 33.** What is a Debit Card? [IBPS PO/MT 2012]
(a) It is a card issued by a Rating Agency
(b) It is a card which can be used for withdrawing cash or making payment even in the absence of any balance in the account
(c) It is a card which can be used for withdrawing cash or making payment if there is balance in the account
(d) It is a card which carries prepaid balance
(e) It is a card which can be used for making STD calls

- 34.** State Bank of India on May, 2015 launched State Bank RuPay Platinum debit card in association with National Payment Corporation of India (NPCI). The RuPay card is accepted at [SBI PO 2015]
 (a) ATMs (b) PoS
 (c) E-commerce (d) All of these
 (e) None of these
- 35.** 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.)? [IBPS Clerk 2017]
 (a) Visa (b) Max
 (c) BSE (d) Sensex
 (e) SWAP
- 36.** Which of the following is a Credit Card Association? [IBPS Clerk 2011]
 (a) India Card
 (b) Master Card
 (c) SBI Card
 (d) Citi Bank Card
 (e) BOB Card
- 37.** Which of the following is known as Plastic Money? [Indian Overseas Bank 2011]
 I. Demand Draft
 II. Credit Card
 III. Debit Card
 Select the correct answer using the codes given below.
 (a) Only I (b) Only II
 (c) Only III (d) Both II and III
 (e) All of these
- 38.** What is the full form of CVV Number? [RBI Grade-B 2018]
 (a) Card Verification Value
 (b) Consumer Verification Value
 (c) Card Value Verification
 (d) Card Validity Value
 (e) None of the above
- 39.** The CVV is also known as
 (a) Card Verification Code
 (b) Card Security Code
 (c) Green Pin
 (d) Both (a) and (b)
 (e) All of the above
- 40.** The maximum use of the Core Banking System (CBS) lies in which of the following fields of banking?
 (a) Prepaid transactions
 (b) Post transactions
 (c) Abnormal transactions
 (d) Common transactions
 (e) Specific transactions
- 41.** A centralised database with online connectivity to branches, Internet as well as ATM network which has been adopted by almost all major banks of our country is known as [IBPS Clerk 2011]
 (a) Investment banking (b) Core banking
 (c) Mobile banking (d) National banking
 (e) Specialised banking
- 42.** Customer Relationship Management activities are elements of
 (a) Payment Banking
 (b) Small Banking
 (c) Core Banking
 (d) Post Payment Banking
 (e) None of the above
- 43.** Elements of core banking include
 (a) processing cash deposits and withdrawals
 (b) processing payments and cheques
 (c) calculating interest
 (d) All of the above
 (e) None of the above
- 44.** The term ATM refers to [RBI Grade B 2013; SBI Associate 2012]
 (a) Asynchronous Transfer Mode
 (b) Advanced Technical Material
 (c) Automated Teller Machine
 (d) Arabian Travel Market
 (e) None of the above
- 45.** The first ATM was setup in Mumbai in 1987 by [RBI Grade B 2015]
 (a) ICICI Bank (b) SBI
 (c) HDFC Bank (d) HSBC Bank
 (e) Citi bank
- 46.** It is the communication backbone of Indian Financial Institution.
 (a) INFINET (b) MOTO
 (c) Mobile banking (d) SBI
 (e) IMPS

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- 47.** Which of the following banks has installed ATMs on INS Vikramaditya, the largest warship and latest aircraft carrier of the Indian Navy? [IBPS Clerk 2017]
(a) Axis Bank (b) YES Bank
(c) ICICI (d) SBI
(e) HDFC
- 48.** Which of the following banks in India has maximum number of branches and ATMs? [IBPS Clerk 2011]
(a) IDBI Bank
(b) Bank of India
(c) Punjab National Bank
(d) ICICI Bank
(e) State Bank of India
- 49.** Reserve Bank of India(RBI) has eased business guidelines for which of the following ATMs to source cash directly from the central bank? [SBI Clerk 2019]
(a) Brown Label ATMs
(b) Green Label ATMs
(c) Yellow Label ATMs
(d) Pink Label ATMs
(e) White Label ATMs
- 50.** Using an ATM, customers can [RBI Grade B 2013]
(a) access their bank accounts in order to make cash withdrawals (or credit card cash advances)
(b) check their account balances
(c) purchase cell phone prepaid credit
(d) All of the above
(e) None of the above
- 51.** The installation of 'Talking ATMs' is aimed at making ATMs friendly for [RBI Grade B 2015]
(a) minors
(b) foreigners
(c) differently-abled users
(d) senior citizens
(e) non-costumers
- 52.** The government is promoting the installation of White Label ATMs. What is meant by White Label ATMs? [IBPS Clerk 2014]
(a) ATMs, which are setup by non-banking entities
(b) ATMs, which are white in colour
(c) ATMs, which are setup by group of foreign banks operating in India
(d) ATMs, which are setup by Reserve Bank of India
(e) ATMs, which are installed by group of bankers
- 53.** ATM is a computerised tele-communication device that provides the clients a financial institution with access to financial transactions in a public space without the need for [RBI Grade B 2013]
(a) cashier (b) human clerk
(c) bank teller (d) All of these
(e) None of these
- 54.** 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? [IBPS Clerk 2017]
(a) Only ATM Card
(b) Only Credit Card
(c) Only Prepaid Card
(d) Only Debit Card
(e) All are non-cash transaction products
- 55.** The Reserve Bank of India has authorised non-banks to operate 'White Label ATMs' under the provisions of [RBI Grade B 2016]
(a) Reserve Bank of India Act, 1934
(b) Negotiable Instruments Act, 1881
(c) Negotiable Instruments (Amendment) Act, 2015
(d) Banking Regulation Act, 1949
(e) Payment and Settlement Systems Act, 2007
- 56.** Scheduled commercial banks can install offsite ATM at centres/places identified by them, without taking RBI's prior approval provided [RBI Grade B 2013]
(a) the business transacted at the offsite ATM is recorded in the books of respective branch/base branch/centralised data centre
(b) no person other than the security guard is posted at the offsite ATM
(c) third party advertisement, such as, products of other manufacturers/dealers/vendors are not displayed on the ATM screens/network
(d) All of the above
(e) None of the above

- 57.** ATMs of various banks in the country are connected through [RBI Grade B 2013]
 (a) LAN (b) WAN
 (c) NFS (d) SPNS
 (e) None of these
- 58.** NPCI launched India's first rural bank ATM card with a regional rural bank in
 (a) Varanasi (b) Delhi
 (c) Thane (d) Bengaluru
 (e) Patna
- 59.** It provides for agricultural transaction.
 (a) Worksite ATM (b) Green Label ATM
 (c) Yellow Label ATM (d) Orange Label ATM
 (e) Black Label ATM
- 60.** ATM is provided for e-commerce.
 (a) Orange Label (b) Blue Label
 (c) Yellow Label (d) Purple Label
 (e) Red Label
- 61.** Which of the following statements about withdrawing cash from ATM of other banks are correct? [RBI Grade B 2013]
 (a) There will be no charge for withdrawing money from other banks' ATMs upto five occasions in a month
 (b) Free access to other banks' ATMs subject to ceiling of ₹ 10,000 transaction
 (c) If the ATM of other bank is accessed for more than five times a month, banks may levy charges upto ₹ 20 per transaction
 (d) All of the above
 (e) None of the above
- 62.** As per RBI directives, through offsite ATMs the banks may provide the facilities of [RBI Grade B 2013]
 (a) interbank funds transfer-transfer of funds between the bank's customers and customers or other banks
 (b) Personal Identification Number (PIN) changes
 (c) requisition of cheque books
 (d) All of the above
 (e) None of the above
- 63.** Range of ATM insurance policy.
 (a) ₹ 50000 to ₹ 5 lakh
 (b) ₹ 50000 to ₹ 10 lakh
 (c) ₹ 50000 to ₹ 20 lakh
 (d) ₹ 5 lakh to ₹ 20 lakh
 (e) ₹ 20 lakh to ₹ 30 lakh
- 64.** YONO (You Only Need One) app is launched by [SBI PO 2018]
 (a) ICICI Bank (b) Bank of Baroda
 (c) PNB (d) SBI
 (e) HDFC Bank
- 65.** Which bank has launched its mobile banking app called Bpay? [IBPS PO 2017]
 (a) AU Small Finance Bank
 (b) India Post Payments Bank
 (c) Fino Payments Bank
 (d) Airtel Payments Bank
 (e) ICICI Bank
- 66.** Which bank of the century has launched 'YONO Cash' service? [SBI PO 2019]
 (a) PNB (b) SBI
 (c) UBI (d) BoB
 (e) Bandhan Bank
- 67.** Which of the following banks has launched the contactless credit card 'Wave N Pay'? [IBPS Clerk 2017]
 (a) SBI
 (b) HDFC
 (c) Punjab National Bank (PNB)
 (d) ICICI
 (e) Yes Bank
- 68.** Which of the following banks developed Aadhar Pay App along with UIDAI and National Payments Corporation of India? [IBPS Clerk 2017]
 (a) IDFC Bank (b) ICICI Bank
 (c) YES Bank (d) HDFC Bank
 (e) HSBC Bank
- 69.** Which of the following banks has launched Mera iMobile app for rural customers? [IBPS Clerk 2017]
 (a) Axis Bank (b) YES Bank
 (c) HDFC Bank (d) SBI
 (e) ICICI Bank
- 70.** In order to sign up your recently launched Digital Locker (DigiLocker) by government of India, one needs to have a mobile phone number linked to a [RBI Grade B 2015]
 (a) Aadhar number
 (b) PAN
 (c) bank account number
 (d) safe deposit locker
 (e) passport number

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71. The mobile wallet service 'M-Pesa' has been introduced by Vodafone in partnership with
[RBI Grade B 2015]

- (a) Visa Inc
- (b) Master Card Inc
- (c) ICICI Bank
- (d) American Express Co.
- (e) NPCI

72. Which of the following public sector banks have launched 'Mingle' to enable its customers to access to various banking on July, 2016?
[UBI PO 2016]

- (a) Bank of India
- (b) Union Bank of India
- (c) Bank of Baroda
- (d) State Bank of India
- (e) Allahabad Bank

73. 'M-Pesa', a mobile based money transfer and payment service, was launched by Vodafone in the year 2007. In India, Vodafone India launched it in 2013 in association with
[RBI Grade B 2016]

- (a) YES Bank
- (b) SBI
- (c) HDFC Bank
- (d) Kotak Mahindra Bank
- (e) ICICI Bank

74. An Artificial Intelligence (AI) and block chain based software products firm Intain Fintech launched eMulya. What is purpose of eMulya?
[SBI Clerk 2019]

- (a) eMulya was launched by Central Board of Secondary Education to publicise crucial Information to students and parents in a timely manner
- (b) eMulya is an intelligence blockchain which facilitates secure, efficient and trustworthy asset securitisation transactions for Non-Banking Financial Companies in India
- (c) eMulya UPI-Based Payments App
- (d) eMulya online payment system for electronic fund transfer under National Payments Corporation of India (NPCI)
- (e) eMulya, a platform for re-organisation and insolvency resolution of corporate persons, individuals and partnership firms in a time bound manner for maximisation of the value of assets

Answers

1. (a)	2. (c)	3. (c)	4. (d)	5. (b)	6. (a)	7. (e)	8. (e)	9. (b)	10. (a)
11. (b)	12. (c)	13. (d)	14. (c)	15. (c)	16. (d)	17. (d)	18. (c)	19. (e)	20. (d)
21. (d)	22. (b)	23. (a)	24. (a)	25. (e)	26. (a)	27. (a)	28. (a)	29. (e)	30. (a)
31. (a)	32. (d)	33. (c)	34. (d)	35. (a)	36. (b)	37. (d)	38. (a)	39. (d)	40. (d)
41. (b)	42. (d)	43. (c)	44. (c)	45. (d)	46. (a)	47. (d)	48. (e)	49. (e)	50. (d)
51. (c)	52. (a)	53. (d)	54. (e)	55. (e)	56. (d)	57. (c)	58. (a)	59. (b)	60. (c)
61. (d)	62. (d)	63. (b)	64. (d)	65. (c)	66. (b)	67. (c)	68. (a)	69. (e)	70. (a)
71. (c)	72. (d)	73. (e)	74. (a)						

FINANCIAL REFORMS IN BANKS

Banks in India have witnessed a radical change from conventional banking to convenience banking. These changes have been caused/result of rising competition from public sector, private and foreign banks.

There are remarkable reforms in the banking sector which are discussed below.

Society for Worldwide Interbank Financial Telecommunication (SWIFT)

SWIFT is a Belgium based secure financial messaging service which is used by over 11,000 banking and securities organisations in more than 200 countries in the world.

SWIFT is a bank owned non-profit cooperative society which became operational in May, 1977.

A SWIFT transfer, also called an **international money transfer**, is a secure and standardised method of sending or receiving money from banks anywhere in the world.

In order to use the service, institutions are required to declare compliance of 16 basic securities principles laid out by SWIFT for securing their access points with the network. These includes

credentials management and setting up of firewalls.

SWIFT payments are payments done through the network. SWIFT assigns each bank an 8 or 11 character long code, known as **bank identifier**.

It is similar to the IFSC code used for domestic interbank transfers, with SWIFT being used for international transfers. The first 4 characters stand for the bank to which money is being transferred.

Real Time Gross Settlement System (RTGS)

RTGS System has been opened in India from **29 April, 2004**.

RTGS system is a **funds transfer mechanism** for transfer of money from one bank to another on a 'real time' and on 'gross basis'.

This is the fastest possible money transfer system of the banking channel. Settlement in **real time** means payment transaction is not subject to any waiting period. The transactions are settled as soon as they are processed.

Gross settlement means the transaction is settled on one to one basis without bunching with any other transactions.

The RTGS system is primarily meant for large value transactions. The minimum amount to be remitted through RTGS is ₹ 2 lakh. There is no upper ceiling for RTGS transactions.

RTGS is available $24 \times 7 \times 365$ with effect from 4th December, 2020.

With effect from 1st July, 2019 the RBI has waived the processing charges levied by it for RTGS transactions.

RTGS facilities extended by RBI to non-bank payment system operators including Paytm, Visa, Phonepe and other payment banks.

National Electronic Funds Transfer (NEFT)

NEFT was introduced in November, 2005 and it is a facility provided to bank customers to enable them to transfer funds quickly.

It is a nation wide system that facilitates individuals, firms and corporates to electronically transfer funds from any bank branch to any individual, firm or corporate having an account with any other bank branch in the country.

Even such individuals, firms or corporates who do not have a bank account can also deposit cash at the NEFT enabled branch with instructions to transfer funds using NEFT.

There is no limit either minimum or maximum on the amount of funds that could be transferred using NEFT.

NEFT works on round the clock basis i.e., $24 \times 7 \times 365$ days including holidays (from December, 2019).

Fund transfer via NEFT initiated online via internet/mobile banking channels is not chargeable. However, maximum of ₹ 25, excluding taxes is charged on availing NEFT facilities through banking channel.

RBI extended the NEFT facilities to non-bank payment system operators including Paytm, Airtel wallet and payment banks, etc.

Magnetic Ink Character Recognition (MICR)

MICR is a technology which allows machines to read and process cheques enabling thousands of cheque transactions in a short time.

The MICR encoding, called the MICR line, is at the bottom of cheques and other vouchers and typically includes the documents-type indicator, bank code, bank account number, cheque number, cheque amount, and a control indicator.

MICR code is usually a nine digit code comprising of some important information about the transaction and the bank. The first three digits in the MICR code represent the city code in which the bank branch is located.

In most cases it is in line with the PIN code of the postal addresses in India. The next three digits stand for the bank code while the last three digits represent the bank branch code.

National Payments Corporation of India (NPCI)

NPCI is the umbrella organisation for all retail payments system in India. It is being promoted by the Reserve Bank of India. It was founded in 2008 as a not for profit organisation registered under Section 25 of the Companies Act, 2013.

It has successfully played a pioneering role in the development of a domestic card payment network called RuPay, reducing the dependency on international card schemes. RuPay Card and IMPS services are included in NPCI.

Some other services included in NPCI are as follows

National Financial Switch (NFS)

National Financial Switch is the largest network of shared Automated Teller Machines (ATMs) in India. It started functioning on 27th August, 2004.

It was designed, developed and deployed by the Institute for Development and Research in Banking Technology (IDRBI) with the goal of inter-connecting the ATMs in the country and facilitating convenience banking.

It is run by the National Payments Corporation of India (NPCI). The NFS helps a bank plug in its ATM network to networks of other banks.

Cheque Truncation System (CTS)

CTS or Image-based Clearing System (ICS), in India, is a project undertaken by the Reserve Bank of India (RBI) in **2010**, for faster clearing of cheques.

CTS is based on a cheque truncation or online image-based cheque clearing system where cheque images and **Magnetic Ink Character Recognition (MICR)** data are captured at the collecting bank branch and transmitted electronically.

Non-CTS clearing sessions by banks in India was discontinued with effect from **31st December, 2018**.

Aadhaar Enabled Payment System (AEPS)

The Aadhaar Enabled Payment System (AEPS) was launched by National Payment Corporation of India (NPCI) in January, 2011.

It leverages Aadhaar online authentication and enables Aadhaar Enabled Bank Accounts (AEBA) to be operated in anytime-anywhere banking mode through Micro ATMs.

The 5 Aadhaar enabled basic types of banking transactions are cash withdrawal, cash deposit, aadhaar to aadhaar funds transfer, balance enquiry and gateway authentication service.

Aadhaar Payment Bridge System (APBS)

The new payment service offered by the NPCI, using the 'aadhaar' number issued by the Unique Identification Authority of India (UIDAI) is known as Aadhaar Payment Bridge System (APBS).

APBS is used by Government Departments and agencies for the transfer of benefits and subsidies under Direct Benefit Transfer (DBT) Schemes launched by the Government of India.

Immediate Payment Service (IMPS)

IMPS was introduced in India, in 2012, as a pilot programme by National Payment Corporation of India (NPCI). Immediate Payment Service (IMPS) is an instant **inter-bank electronic fund transfer** service through mobile phones available 24×7, throughout the year including Sundays and any bank holiday.

Customers can transfer and receive funds *via* IMPS using their registered mobile number and Mobile Money Identifier (MMID) or Account number and IFSC code.

This facility is provided by NPCI through its existing NFS network.

The participants for IMPS can be Remitter (Sender), Beneficiary (Receiver), Banks and National Financial Switch – NPCI.

Various objectives of IMPS are

- To enable bank customers to use mobile instruments as a channel for accessing their banks accounts and remit funds.

- To subserve the goal of Reserve Bank of India (RBI) in electronification of retail payments.

- To facilitate mobile payment systems already introduced in India with the Reserve Bank of India (RBI).

Indian Financial System Code (IFSC)

IFSC or Indian Financial System Code is an alphanumeric code that identifies a bank branch participating in the NEFT.

This is a **11 digit code** with the first 4 alpha characters representing the bank and last 6 numeric characters representing the bank branch.

RBI directs the Bank to print IFSC code on passbooks and statement of accounts. It is mandatory for fund transfers from one bank account to another. It is used by electronic payment system application such as Real-Time Gross Settlement (RTGS), NEFT and Centralised Fund Management System (CFMS).

Instant Money Transfer (IMT) Facility

IMT is an innovative payment tool that allows customers to authorise payment from a mobile phone linked with the bank account.

It has been licensed by the RBI as a national payment system. It was launched in partnership with Empays Payment System India Private Limited which is headquartered at Mumbai.

There is no requirement for the beneficiary to have a bank account. The receiver can obtain the funds immediately from any IMT enabled ATM.

This facility allows customers to withdraw funds from ATM without a debit card. One can transfer upto ₹ 10,000 using a mobile phone with a monthly cap of ₹ 25,000.

Electronic Clearing Service (ECS)

The Reserve Bank of India has introduced Electronic Clearing Service (ECS). This uses a series of electronic payment instructions for transfer of funds instead of paper instruments.

The **ECS-Credit** enables companies to pay interest or dividend to large number of beneficiaries by direct credit of the amount to their Bank accounts. As of June 2021, there is no amount limit in individual transactions.

'ECS-Debit' facilitates payment of charges to utility services, such as electricity, telephone companies, payment of insurance premium and loan instalments, directly to the customer's account with a bank. It basically facilitates bulk transfer of funds from one bank account to many bank accounts or vice versa.

This service includes transaction processed under National Automated Clearing House (NACH) operated by NPCI under Payment and Settlement Systems Act, 2007.

National Automated Clearing House (NACH)

The National Payments Corporation of India (NPCI) has implemented an **electronic payment service** termed as National Automated Clearing House (NACH) for banks, financial institutions, corporates and Government Departments.

NACH is a funds clearing platform similar to the existing ECS of RBI. From **1st May, 2016** NACH has replaced ECS.

Functions of NACH are

- NACH has both debit and credit variants and it aims at facilitating interbank, high volume, debit/credit transactions, which are bulk and repetitive in nature.
- The primary motive of NACH is to handle low value, high volume transactions based on electronic files.
- It allows transactions to be cleared in real-time mode rather than batch mode.

Mobile Money Identifier Digit (MMID)

Mobile Money Identifier Digit (MMID) is a **seven-digit number**, issued by banks for effecting financial transactions through the user's mobile phone. The user's mobile number MMID are uniquely linked with his bank account number, and is one of the key inputs to facilitate fund transfer.

Both the remitter and the beneficiary are required to have their MMIDs to effect a fund transfer through the mobile phone.

A unique MMID and mobile number combination help in identifying the beneficiary's details. Multiple MMIDs can be linked to same mobile number.

New Banking Platform for Payment

Unified Payments Interface (UPI)

UPI system has been developed for all retail payments in the country by National Payments Corporation of India (NPCI) to make the transfer of money easy and simple. It was launched on **11th April, 2016**, in **Mumbai**.

As of December, 2020, 207 banks are actively providing UPI services. Besides India, it is also accepted for payment purposes in Bhutan.

At the start, ten major banks—SBI, Canara Bank, BOI, ICICI Bank, HDFC Bank, Punjab National Bank, Bank of Baroda, HSBC and Citi Bank integrated the interface with their mobile apps.

It is an instant real-time payment system that converts multiple bank accounts into a single application and facilitates instant inter-bank transactions.

Features of UPI

- Both the sender and the receiver should have enabled UPI platform for the transaction to take place.
- All UPI enabled banks will allow their apps to be consolidated. So, one can perform all payment transactions.
- The limit on transaction through UPI system is **₹ 1 lakh**.
- Charges can be applied depending on the amount of money transferred.
- The service is available 24×7 .
- No need to carry the debit or credit cards which also sometimes lead to security problems.
- After using UPI, merchants will not be able to track the account number.
- UPI system will not at all include the wallets.
- The transaction will be shown as IMPS Bank transfer in the bank account statement.

UPI Autopay

This feature was launched by National Payment Corporation of India (NPCI) in August, 2020. Through this facility, customers can enable recurring e-mandates using any UPI enabled app for recurring payments such as mobile bills, EMI Payment, entertainment/OTT subscriptions, insurance, mutual funds among others, etc.

National Unified USSD Platform (NUUP)

National Unified USSD Platform is a Unstructured Supplementary Service Data (USSD) based mobile banking service from NPCI that brings together all the Banks and Telecom Service Providers.

In NUUP, a customer can access banking service by just pressing ***99#** from his/her mobile phone. This service works across all **GSM mobile handsets**.

According to the Reserve Bank of India, the USSD payment method can be used for sending money as low as ₹ 1 and as much as ₹ 5,000 per transaction.

Bharat Bill Payment System (BBPS)

Bharat Bill Payment System (BBPS) is an integrated bill payment system.

BBPS is a Reserve Bank of India conceptualised system driven by National Payments Corporation of India (NPCI). BBPS was founded in **2013**. It offers inter-operable bill payment service to customers online as well as through a network of agents on the ground.

BBPS services are available $24 \times 7 \times 365$ days including all public holidays. BBPS was launched by the NPCI on **31st August, 2016** under the recommendation of RBI Executive Director **G. Padmanabhan Committee**.

BBPS payments can be made using cash, cheques as well as through digital methods such as internet banking, debit and credit card among others.

QR Codes

QR stands for **Quick Response**. While they may look simple, QR codes are capable of storing lots of data. But no matter how much they contain, when scanned, the QR code should allow the user to access information instantly-hence why it's called a Quick Response code. Basically, a QR code works in the same way as a barcode at the supermarket.

It is a machine-scannable image that can instantly be read using a Smart phone camera. Every QR code consists of a number of black squares and dots which represent certain pieces of information.

When your Smart phone scans this code, it translates that information into something that can be easily understood by humans.

The Reserve Bank of India has barred all payment system operators from issuing new proprietary QR codes and suggested measures for moving towards inter-operability.

The banking regulator, in a notification released on **22nd October, 2020**, has asked all payment system operators to switch to at least one inter-operable QR code by 31st March, 2022.

According to RBI, there are the two inter-operable QR codes in existence - **UPI** and **Bharat QR**.

QR codes themselves are inherently secure and reliable technology. There is nothing particularly risky about creating or using a QR code.

Bharat QR

Bharat QR, as the name suggests, is a QR based payment solution and can be used to make **P2M** (Person to Merchant) **digital payments**. This means that you can directly scan the Bharat QR code deployed at merchant's or seller's place, using any Bharat QR enabled mobile application. Bharat QR is a new transformative way to pay with your mobile phone.

There's no need to carry cash. Bharat QR is as secure as making a payment via **UPI**. Your card details are not exposed to any third party.

You can use any of the apps that support Bharat QR and pay using Cards (via Visa, Master Card, Amex or RuPay) or BHIM-UPI. There is no additional charge applied to customer for making payments via Bharat QR.

Bharat QR transactions are different from PoS transactions. In PoS transaction, PoS terminal is required whereas in Bharat QR transaction, QR code is required. Using mobile banking app or wallet user will scan the QR code placed in merchant outlet and make the payment using the RuPay Card linked to the BQR.

BHIM

BHIM or Bharat Interface for Money is developed by the National Payments Corporation of India (NPCI). It was launched on **30th December, 2016**, by Prime Minister Narendra Modi.

BHIM facilitates digital payments through UPI (Unified Payment Interface) by using a **Virtual Payment Address** (VPA).

While making payments through BHIM UPI, there is no need for information like a bank account number or IFSC code. It also provides static QR code for each account which can be easily downloaded.

Features of BHIM

- BHIM enables the users to send money using Virtual Payment Address (VPA) or combination of Account Number and IFSC or even by Scanning QR Code.
- One can also transfer money using Mobile No. (Mobile No should be registered with BHIM or *99# and account should be linked).
- Customers can check transaction history and also pending UPI collect requests (if any). Customer can raise complaint for the declined transactions by clicking on report issue in transactions.
- Customer can view the static QR code and Payment addresses linked to his account. He can also share the QR code through various messenger applications like WhatsApp, Email etc. available on phone and can also download the QR code.
- It is a switch between multiple bank accounts linked with BHIM App. Customers can set/change his UPI PIN or check his balance.
- Currently BHIM is available in 20 languages, i.e., Hindi, English, Tamil, Telugu, Malayalam, Bengali, Odia, Kannada, Gujarati, Marathi, Assamese, Bengali, Bhojpuri, Haryanvi, Marwari, Konkani, Manipuri, Khasi, Mizo and Urdu.
- BHIM allow customers to block spam users who are sending collect request from illicit sources. It further allows the user to disable and enable mobile number@UPI in the profile if a secondary UPI ID is created.
- Through the use of BHIM, customers can pay by scanning the QR code through 'scan and pay' and generate QR codes in the app for making payments.
- Apply for any IPO by entering your BHIM UPIID on the IPO application, and then proceed by approving on the BHIM app.
- The BHIM app supports in-app utility bill payments to help users pay bills on the go with the help of **BHIM BillPay**.



QUESTION BANK

- 1. What is S in SWIFT?**
(a) Society (b) Small
(c) Service (d) System
(e) Sender
- 2. A worldwide financial messaging network which exchanges messages between banks and financial institutions is known as**
(a) CHAPS (b) SWIFT
(c) NEFT (d) SFMS
(e) CHIPS
- 3. SWIFT assigns eight to eleven digits long code, also known as**
(a) Bank identifier (b) Branch identifier
(c) Customer identifier (d) Area identifier
(e) Country identifier
- 4. SWIFT is similar to the**
(a) IMPS (b) RTGS
(c) NEFT (d) NPCI
(e) IFSC
- 5. The Society for Worldwide Interbank Financial Telecommunication (SWIFT)**
[RBI Grade B 2013]
(a) was registered as a company in Belgium
(b) is a bank owned non-profit cooperative society
(c) became operational in May, 1977
(d) All of the above
(e) None of the above
- 6. RBI penalised Karnataka Bank with ₹ 4 Crore, for the delay caused in following the guidelines mentioned in 'Time bounded implementation and strengthening of SWIFT related controls'. What is SWIFT?**
[SBI Clerk 2019]
(a) SWIFT is a cooperative society under UK law owned by its member financial institutions with officers around the world
(b) SWIFT is a global messaging network used for transactions by financial entities
(c) SWIFT facilitate funds transfer, it sends payment orders, which must be settled by correspondent accounts
(d) SWIF is a new thin-client desktop interface provided as an alternative to existing alliance
(e) None of the above
- 7. What is the full form of the letter T in the term RTGS?**
[SBI Clerk 2016]
(a) Time (b) Transaction
(c) Tax (d) Transfer
(e) Temporarily
- 8. The maximum amount that can be remitted through RTGS is**
[IBPS PO 2015]
(a) ₹ 1 crore (b) ₹ 50 lakh
(c) ₹ 2 lakh (d) ₹ 10 lakh
(e) No upper ceiling
- 9. In which of the following fund transfer mechanisms, transaction is not subject to any waiting period?**
[SBI Clerk 2012]
(a) RTGS (b) NEFT
(c) TT (d) EFT
(e) MT
- 10. Real Time Gross Settlement or RTGS enables**
[IBPS Clerk 2011]
(a) immediate transfer of money from customer of one bank to customer of another bank
(b) immediate transfer of money from customer of one branch to customer of another branch within the same bank
(c) immediate transfer of money from customer of one country to customer of another country
(d) immediate transfer of money from customer of one bank to customer of the RBI
(e) None of the above
- 11. Which of the following fund transfer mechanism, 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
- 12. National Financial Switch (NFS) is run by**
[SBI PO 2017]
(a) NPCI
(b) Reserve Bank of India
(c) National Information Centre
(d) Institute of Development and Research in Banking
(e) None of the above

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- 13.** What is NEFT? [IBPS Clerk 2012]
(a) National Electronic Funds Time
(b) National Enabled Funds Time
(c) National Electronic Funds Transfer
(d) Net Electronic Funds Time
(e) Net Electronic Funds Transfer
- 14.** NEFT was introduced in
(a) 2002 (b) 2005 (c) 2011 (d) 2018
(e) 2020
- 15.** NEFT works on round the clock basis i.e.,
(a) 24×7 (b) 24×365
(c) $24 \times 7 \times 365$ (d) 7×365
(e) $8 \times 7 \times 365$
- 16.** Which among the following is an umbrella organisation for all retail payments system in India? [SBI Clerk 2018]
(a) RBI (b) NPCI
(c) SEBI (d) NITI Aayog
(e) None of these
- 17.** NPCI is the umbrella organisation for all retail payments system in India. It is being promoted by the
(a) SBI (b) RBI (c) SEBI (d) CBI
(e) BoB
- 18.** The National Payments Corporation of India (NPCI) has implemented an electronic payment service termed as National Automated Clearing House (NACH) for
(a) Banks
(b) Financial institutions
(c) Corporates
(d) Government Departments
(e) All of the above
- 19.** Unified Payments Interface has been developed by NPCI. What is NPCI?
(a) New Payments Corporation of India
(b) National Principle Corporation of India
(c) National Payments Company of India
(d) National Payments Corporation of India
(e) National Payments Corporation of Interface
- 20.** National Payments Corporation of India was founded in
(a) 1998 (b) 2003
(c) 2004 (d) 2008
(e) 2012
- 21.** Recently introduced by National Payments Corporation of India (NPCI), the 'NACH' is a centralised [RBI Grade B 2016]
(a) application processing for banks system
(b) credit appraisal system
(c) electronic clearing system
(d) core banking system
(e) None of the above
- 22.** Cheque truncation can be done by [IBPS PO/MT 2014]
(a) Using MICR data
(b) Sending cheque by speed post
(c) Using image processing
(d) Both (a) and (c)
(e) None of the above
- 23.** Truncation of cheques means [SBI PO Main 2017]
(a) Scanning of the cheques and transmission of electronic image instead of physical cheque in the clearing cycle
(b) Debiting of drawer's account through internet
(c) Both of the above
(d) None of the above
(e) (a) or (b)
- 24.** What is the full form of APBS? [SBI PO 2017]
(a) Aadhar Post Bridge System
(b) Aadhar Post Banking System
(c) Aadhar Payment Banking System
(d) Aadhar Payment Bridge System
(e) Aadhar Post Bureau System
- 25.** The Aadhar 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 [IBPS PO/MT 2013; SBI PO 2017]
(a) Aadhar to Aadhar funds transfer
(b) Small overdraft facility
(c) Cash withdrawal
(d) Balance enquiry
(e) Cash deposit
- 26.** Aadhar enabled basic types of banking transactions are
(a) Cash withdrawal (b) Cash deposit
(c) Balance enquiry (d) Both (a) and (b)
(e) All of these

- 27.** NEFT and RTGS in banking terminology speak of [IBPS Clerk 2011]
 (a) various deposit products
 (b) various loan products
 (c) electronic payment products within a bank
 (d) electronic fund transfer from bank to bank
 (e) Cheque Truncation Process
- 28.** The participants for IMPS are
 (a) Sender (b) Receiver
 (c) Banks (d) NFS
 (e) All of these
- 29.** IMPS is an instant inter-bank electronic fund transfer mechanism launched by NPCI in 2010. It stands for
 (a) Interbank Money Payment Services
 (b) Intra Money Payment Services
 (c) Intra Mobile Payment Services
 (d) Immediate Payment Services
 (e) Interbank Mini Payment Services
- 30.** IMPS facility is provided by NPCI through its existing network. [SBI PO 2018]
 (a) IFSC (b) NFS
 (c) IMPS (d) SWIFT
 (e) None of these
- 31.** IMPS was introduced in India in
 (a) 2005 (b) 2008
 (c) 2012 (d) 2015
 (e) 2020
- 32.** How can a Indian Financial Services Code Number be identified?
 (a) It is a 11 digit alphanumeric code
 (b) It is available on the cheque leaves of an individual's cheque book
 (c) All of the above
 (d) None of the above
- 33.** IFSC has how many digits? [IBPS PO 2015]
 (a) 7 (b) 15
 (c) 11 (d) 9
 (e) 10
- 34.** First 4 alpha characters of IFSC code represent the
 (a) Branch (b) Customer
 (c) NPCI Number (d) PAN Number
 (e) Bank
- 35.** IFSC is used to transfer funds online for
 (a) NEFT (b) IMPS
 (c) RTGS (d) All of these
 (e) None of these
- 36.** The ECS (Credit) envisages [RBI Assistant 2013]
 (a) substitution of the paper instrument by electronic instructions for bulk and repetitive payment transactions
 (b) use of cheques by corporate clients only
 (c) reduction of work load of clerical staff in banks
 (d) encouraging competition among public sector and private sector banks
 (e) None of the above
- 37.** What is the individual credit limit under the ECS (Credit)? [RBI Assistant 2013]
 (a) ₹ 25000 (b) ₹ 50000
 (c) ₹ 1 lakh (d) ₹ 5 lakh
 (e) No limit
- 38.** With a view to provide a simpler, faster, reliable and cost effective solution for repetitive payment transactions such as salary, pension, interest, commission, dividend, etc., by companies, corporations and government departments, the Reserve Bank introduced in April, 1995 [RBI Assistant 2013]
 (a) MICR Clearing
 (b) Electronic Funds Transfer (EFT)
 (c) Electronic Clearing Service (Credit) (ECS Credit)
 (d) Shared Payment Network System (SPNS)
 (e) None of the above
- 39.** Which of the following is the correct full form of ECS often used in banking? [IBPS PO 2015]
 (a) Electronic Clash System
 (b) Electronic Cash Service
 (c) Electronic Clearing Service
 (d) Electronic Charging System
 (e) Other than those given as options
- 40.** An ECS transaction gets bounced and you are unable to recover your money from your customer. Under which Act criminal action can be initiated? [IBPS PO 2012]

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- (a) Indian Penal Code
- (b) Negotiable Instruments Act
- (c) Criminal Procedure Code
- (d) Payment and Settlements Act
- (e) Indian Contract Act

41. NACH debit is the product of

[Bank of Maharashtra 2016]

- (a) NPCI (c) NFS (c) AEPS (d) ANBC
- (e) SBI

42. NACH was launched by [SBI PO 2016]

- (a) NPI (b) NCI
- (c) NPCI (d) MPCII
- (e) MPCII

43. Consider the following statements.

- I. NACH is a funds clearing platform.
- II. NACH has both debit and credit variants.
- III. NACH replaced ESS in 2018.

Which of the above statements is/are correct?

- (a) I and II (b) II and III
- (c) I and III (d) Only II
- (e) I, II and III

44. The primary motive of NACH is to

- (a) handle low value, high volume transaction base on electronic files
- (b) reducing the dependency on international card schemes
- (c) refinancing of MFIS to encourage entrepreneurship
- (d) Both (a) and (b)
- (e) None of the above

45. NACH is a funds clearing platform similar to the existing

- (a) ECS (b) NEFT
- (c) RTGS (d) IMPS
- (e) All of these

46. A unique and mobile number combination help in identifying the beneficiary's details.

- (a) IMTF (b) MMID (c) IMPS (d) NPCI
- (e) MOTO

47. Mobile Money Identifier Digit is a digit number.

- (a) 3 (b) 7 (c) 10 (d) 12
- (e) 14

48. Mobile Money Identification Number

(MMIN) 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 Mains 2016]

- (a) Seven (b) Thirteen
- (c) Eleven (d) Nine
- (e) None of these

49. The limit on transaction through UPI system is

- (a) ₹ 10 thousand
- (b) ₹ 50 thousand
- (c) ₹ 1 lakh
- (d) ₹ 5 lakh
- (5) ₹ 10 lakh

50. What does I stand for in UPI?

[Bank of Maharashtra PO 2016]

- (a) India (b) Interface
- (c) International (d) Institution
- (e) Ink

51. Consider the following statements about Unified Payments Interface (UPI).

- I. It seeks to promote cashless economy in the country.
- II. It has been developed by National Payments Corporation of India (NPCI).
- III. It facilitates the user to have a single virtual address for multiple bank accounts

Which of the above statements is/are correct?

- (a) Only I (b) I and II
- (c) All of these (d) I and III
- (e) None of these

52. is a system that powers multiple bank accounts into a single mobile application (of any participating bank), merging several banking features, seamless fund routing and merchant payments into one hood.

[SBI PO Main 2016]

- (a) Real-Time Gross Settlement Systems (RTGS)
- (b) Electronic Funds Transfer at Point of Sale (EFTPOS)
- (c) Bharat Bill Payment System (BBPS)
- (d) Unified Payments Interface (UPI)
- (e) None of the above

53. BBPS is an integrated bill payment system which offer interoperable bill payment service to customers online as well as through a network of agent on the ground.

BBPS stands for **[IBPS PO 2018]**

- (a) Bharat Balance Payment System
- (b) Bank Bill Payment System
- (c) Bharat Bill Product System
- (d) Bharat Bill Payment Services
- (e) Bharat Bill Payment System

54. QR stands for

- (a) Quick Round
- (b) Quick Reason
- (c) Quick Response
- (d) Quick Report
- (e) None of the above

55. Bharat QR codes can be used to make digital payment.

- (a) P2P (b) B2B (c) B2C (d) P2M
- (e) M to Z

56. What is I in BHIM?

- (a) In (b) India
- (c) Interface (d) Instant
- (e) Ink

57. Bharat QR Code, the latest initiative to boost digital transactions, will make use of QR codes system for payments across merchant outlets. Bharat QR was launched with much fanfare by **[SBI PO 2018]**

- (a) FICCI (b) NPCI (c) RBI (d) SEBI
- (e) IRDAI

Answers

1. (a)	2. (b)	3. (a)	4. (e)	5. (d)	6. (b)	7. (a)	8. (e)	9. (a)	10. (a)
11. (a)	12. (a)	13. (c)	14. (b)	15. (c)	16. (b)	17. (b)	18. (e)	19. (d)	20. (d)
21. (c)	22. (d)	23. (a)	24. (d)	25. (b)	26. (e)	27. (d)	28. (e)	29. (d)	30. (b)
31. (c)	32. (c)	33. (c)	34. (e)	35. (c)	36. (a)	37. (c)	38. (c)	39. (c)	40. (d)
41. (a)	42. (c)	43. (a)	44. (a)	45. (a)	46. (b)	47. (b)	48. (a)	49. (c)	50. (b)
51. (c)	52. (d)	53. (e)	54. (c)	55. (d)	56. (c)	57. (b)			

BANKING COMMITTEES AND FINANCIAL STANDARDS

Over the years, the Finance Ministry of Government of India set up various committees with the task of analysing India's banking sector, recommending legislation and regulations to make it more effective, competitive and efficient. Some of the committees related to Banking Sector Reform are as follow

Narsimham Committee I, 1991

This committee was setup in **August, 1991** in order to study the problems of the Indian financial system and to suggest recommendations for improvement in the efficiency and productivity of financial institutions under the following areas.

Recommendations of the Committee are

- The committee recommended their gradual reduction of Statutory Liquidity Ratio (SLR) to 25% and Cash Reserve Ratio (CRR) to 3.5%.
- The committee recommended that the actual number of public sector banks need to be reduced.
- The committee also recommended that Regional Rural Banks (RRBs), should focus on agriculture and rural financing.
- The committee recommended the establishment of an Asset Reconstruction Fund (ARF). This fund

would take over the proportion of the bad and doubtful debts from the banks and financial institutes. It would help banks to get rid of bad debts.

- It recommended the entry of banks in capital market. The banks, after the Banking Companies (Acquisition and Transfer of Undertaking) Amendment Act were allowed to raise capital through public issues.

Narsimham Committee II, 1998

This committee was setup on **26th December, 1997**. It submitted its report to the government in April, 1998 with the following recommendations

- The committee considered the stronger banking system in the context of the Current Account Convertibility (CAC).
- It recommended **Narrow Banking concept** where weak banks would be allowed to place their funds only in short term and risk free assets.
- The committee recommended that the government should raise the prescribed capital adequacy norms.
- The committee considered that there was an urgent need for reviewing and amending main

laws governing Indian banking industry like RBI Act, Banking Regulation Act, State Bank of India Act, Bank Nationalisation Act, etc.

- The committee recommended that two or three large Indian banks should be given international character.
- The committee also recommended implementation of Basel Norms, exclusive entry of banks and primary dealers in call and notice money markets and opening of Treasury Bills to Foreign Institutional Investors (FIIs).

Damodaran Committee, 2011

The committee headed by former SEBI Chairman **M Damodaran**, was setup by the Central Bank to look into the issues of customer services and evaluate the existing system of grievance redressal mechanism prevalent in banks. The committee submitted its report to the government with the following recommendations

- Bank should offer **No Frill Saving Accounts** with certain basic facilities such as cheque book and ATM card without prescribing any minimum balance.
- **No liability** on customer for losses in ATM and online transactions.

Usha Thorat Committee, 2011

Reserve Bank of India (RBI) panel headed by Usha Thorat, Director of Centre for Advanced Financial Research and Learning (CAFRAL) on 29th August, 2011 presented its suggestion on Non-Banking Finance Company (NBFC).

This 8 member committee examined issues related to offshore rupee markets and recommend policy measures.

Recommendations of the Committee are

- It has recommended a higher capital norm of 12% for NBFCs, asset classification and provisioning on the lines of banks. Minimum asset size of over ₹ 50 crore for registering a new NBFC.
- Those NBFCs not accessing public funds and having their assets below ₹ 1000 crores are exempted from registration.

MV Nair Committee, 2011

The Reserve Bank had constituted the Committee under the chairmanship of Shri **MV Nair** on **25th August, 2011** pursuant to the announcement made in the Monetary Policy Statement, 2011-12. The Committee was to re-examine the existing classification and suggest revised guidelines with regard to priority sector lending and related issues.

Major recommendations of the Committee are

- The target of domestic scheduled commercial banks for lending to priority sector may be retained at 40% of Adjusted Net Bank Credit (ANBC) or Credit Equivalent of Off-Balance Sheet Exposure (CEOBSE), whichever is higher.
- Creating a sub-head of micro enterprises within the Micro and Small Enterprises (MSEs) sector.
- Micro enterprises each register a minimum annual growth of 15%.
- Raising education loan ceiling by ₹ 5 lakh for students under priority sector.
- In order to encourage construction of dwelling units for Economically Weaker Sections (EWSs) and Low Income Groups (LIGs), housing loans granted to these individuals may be included in Weaker Sections Category.

Nachiket Mor Committee, 2013

The RBI appointed a committee on comprehensive financial services for small businesses and low income under the Chairmanship of **Sri Nachiket Mor**, member of the Central Board of Directors, RBI in the month of **September, 2013**.

Recommendations of the Committee are

- Every adult (above 18 years) of our country should have a bank account by **1st January, 2016**. This account will be known as **Universal Electronic Bank Account (UEBA)**.
- Every resident should be issued an account at the time of receiving Aadhaar Number (UIDAI) by a bank itself.
- It recommended for establishing payment bank.
- It recommended to abolish Statutory Liquidity Ratio (SLR) in gradual manner and suggested the implementation of Liquidity Coverage Ratio (LCR) to be maintained by banks under BASEL-III Norms.

Bimal Jalan Committee, 2014

A Committee, under the chairmanship of former RBI Governor **Bimal Jalan** was constituted to scrutinise the application for new banks in India. This 4 member committee also included Chairman of Central Board of Directors, Nachiket Mor.

The committee submitted its report in **February 2014**, recommending for the **in-principle** approval of banking licenses to Bandhan Microfinance and IDFC (Infrastructure Development and Finance Corporation).

1. **Bandhan Micro Finance** It is a microfinance company, based in **West Bengal** (Kolkata). It is headed by **Shri Chandra Sekhar Ghosh** and has a net worth of ₹ 1100 crore.

About 45% of its branches are in the rural areas. 'Bandhan Bank' received 'in-principle' approval of the RBI in April 2014, the banking regulator gave its final nod in June, 2015. Bandhan Bank started operating banking services on 24 August, 2015.

2. **Infrastructure Development and Finance Corporation** (IDFC) The Infrastructure Development and Finance Corporation (IDFC) is based in **Mumbai**. It is originally an investment finance company, headed by **Shri Rajiv Lal**.

IDFC has the net worth of ₹ 21,000 crore, but with a lower rural presence. IDFC started operating banking services on **1st October, 2015** under RBI Banking Licence.

Deepak Mohanty Committee, 2015

The Reserve Bank of India (RBI) has constituted a committee on 15th July, 2015 to prepare Five Year Action Plan to spread the reach of financial services across the country to unbanked population.

The Committee was headed by RBI Executive Director **Deepak Mohanty** and comprised a total of **14 members**.

The key recommendations of Deepak Mohanty Committee are as follows

- The Government must augment the social cash transfer to increase personal disposable income of the poor.
- Bank's traditional business model should be changed with greater reliance on mobile technology to improve 'last mile' service delivery.

P. J. Nayak Committee, 2015

This committee was constituted to review Governance of Boards of Banks in India by the RBI Governor in **2014**. The committee was chaired by **P.J. Nayak**, the former CEO and Chairman of Axis Bank.

It recommended to bring down the government share in Public Sector Banks (PSBs) to below 50%. For this, it asked the government to repeal Bank Nationalisation Act (1970 and 1980) and SBI Subsidiaries Act.

Indradhanush Scheme for Public Sector Banks

Union Government has launched a seven pronged plan called Indradhanush Mission to revamp the functioning of Public Sector Banks (PSBs).

Mission Indradhanush is aimed to revamp the functioning of public sector banks so that PSBs can compete with the Private Sector Banks. The mission is a brainchild of **PJ Nayak Committee**.

The mission includes the seven key reforms

1. **Appointments** Government had already announced that the post of Chairman and Managing Director in Public Sector Banks are to be split into
 - (a) MD and CEO; and
 - (b) Non-Executive Chairman.

Under the new process of selection of MD and CEO of bank, private sector candidates are also allowed to apply for this position.

2. **Banks Board Bureau** (BBB) is a body of eminent professionals and officials, which replaced the Appointments Board for appointment of whole-time Directors as well as Non-Executive Chairman of PSBs.

3. **Capitalisation** Government of India has made an exercise to estimate the capital requirements (₹ 70,000 crore) based on credit growth rate of 12% for the current year and 12 to 15% for the next three years depending on the size of the bank and their growth ability.
4. **De-stressing Public Sector Banks** The government will concentrate on de-stressing the bank's bad loans.
5. **Empowerment** It provides greater flexibility in hiring the manpower to banks.
6. **Framework of Accountability** The government announced a new framework of key performance indicators for state-run lenders to boost efficiency in functioning while assuring them of independence in decision making on purely commercial considerations.
7. **Governance Reforms** Specific decision will be taken on optimising capital, digitising process, strengthening, risk management, improving managerial performance and financial inclusion.

Banks Board Bureau (BBB)

Banks Board Bureau is self governing autonomous body of the Union Government. It was established on 1st April, 2016 with an objective to improve the governance of the Public Sector Banks (PSBs).

Former Comptroller and Auditor General (CAG) **Vinod Rai** was appointed as the first Chairman of Banks Board Bureau (BBB). As of June, 2020, Bhanu Pratap Sharma is the current Chairman of BBB.

Composition of BBB

BBB comprises of a Chairman and six more members with atleast 3 former bankers, 2 professionals and secretary (Department of Financial Services representing government).

Major Functions of BBB

- Give recommendations for appointment of full-time Directors as well as Non-Executive Chairmans 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.

Upendra Kumar Sinha Committee, 2019

- Expert Committee of MSMEs headed by **Upendra Kumar Sinha** (former Chairman of SEBI) has recommended the RBI, the implementation of video KYC format to replace current KYC methods.

Video KYC

It is an additional mode through which users can complete the KYC for their accounts within just a few minutes. During the process, customer's KYC documents are verified and their signatures are recorded through a video call with a bank officer. It obviates the need of physically visiting a bank branch.

Know Your Customer (KYC) Norms

- The Reserve Bank of India advised banks to make the Know Your Customer (KYC) procedures mandatory while opening and operating the accounts.
- At the time of opening an account, bank has to ensure that the prospective customer is the person who he/she claims to be.
- This is to prevent fraudsters using the name, address and forged signature of others for doing fraudulent transactions, benami transactions, encashment of stolen cheques, drafts, dividend, warrants, etc.
- It is a mandatory process of identifying and verifying the client's identity when opening an account and periodically over time.

KYC Norms for Marginalised Sections

- The relaxation in KYC procedure is applicable for low income group customers.
- This relaxation is applicable for low income group customers, individuals falling under the no frill category and persons affected by natural calamities like floods, cyclone, tsunami, etc.
- Low income group customers are those who keep balance not exceeding ₹ 50,000 in all their

accounts (FDR/CA/SB) taken together and total credit summation in all the accounts taken together is not expected to exceed.

Documentation Under KYC

Know Your Customer (KYC) is among one of the major reforms initiated in the banking sector. Its major objective is to remove corruption and to promote effective data management in banking sector. In order to complete its KYC procedure, a bank customer needs following documents.

Proof of Identity

Any one document of the following will serve as a proof of identity

- Unique Identification Number (UID) such as Aadhaar Card, Passport, Driving License, Voter ID Card and Pan Card.
- Identity card or document with individual photo, which is issued by any Statutory/ Regulatory Authority, Central/State Government and their Departments including MGNREGA Card.
- Identity cards issued by Scheduled Commercial Banks, Public Sector Undertakings and Public Financial Institutions.
- Identity cards issued by Colleges, which are affiliated to Universities, Professional Bodies including ICAI, ICWAI, ICSI and Bar Council to their Members.

Proof of Address

Any one document of the following will serve as proof of address

- Passport, Voter's Identity Card, Registered Sale or Lease Agreement of Residence, Ration Card, Driving License, Insurance Copy or Flat Maintenance Bill.
- Utility bills such as Landline Telephone Bill, Gas bill or Electricity bill (not more than three months old).
- Bank Account Statement or Passbook entries (not more than three months old).
- Self-declaration by the Supreme Court and High Court Judges, which specify their new address.
- Any officially valid document which contains address details.

New Guidelines for KYC

RBI has rectified the criteria of KYC for dealing with the problems coming in the completion of KYC process of identification of bank customers. The guidelines related to KYC were issued on 23rd July, 2013 as

- The KYC formalities must be fulfilled in the following format
 - High risk customers—once in two years
 - Medium risk customers—once in 8 years
 - Low risk customers—once in 10 years
- RBI in the light of COVID-19 pandemic has decided to rationalise the certain component of the extant KYC norms on 5 May, 2021.
- It allowed conversion of limited KYC accounts to full KYC accounts and Video KYC for customers in small businesses and legal entities.

Other Important Committees of Banking Reforms

Year	Chairman	Area Covered
2001	YV Reddy	Small Savings Reforms
2003	RB Barman	To give recommendations regarding cheque transactions and E-cheque
2005	VS Vyas	Credit Flow to Agriculture and Relative Activities
2007	SC Gupta	Money Lending and Enforcement Machinery
2008	Dr C Rangarajan	Financial Inclusion
2010	Deepak Mohanty	Base Rate
2010	AK Khandelwal	HR Issues of Public Sector Banks
2011	YH Malegam	Issues on Microfinance Institutions
2013	Deepak Mohanty	Data and Information Management in the RBI

Year	Chairman	Area Covered
2014	Justice MB Shah	On Black Money
2014	G Gopalakrishna	On capacity building in banks and non-banking institutions
2014	P J Nayak	Committee to review Governance of Boards of Banks in India
2014	Anand Sinha	Working group on Resolution Regime for Financial Institutions
2015	LP Parthasarathi	Urban Co-operative Banks Committee on data standardisation
2015	Jasbir Singh	Committee on differential Premium System for Banks in India
2016	Sudarshan Sen	To study regulatory issues relating to financial technology and digital banking in India
2016	NK Singh	Review and recommendations on FRBM Act
2016	Shankar Acharya	To examine the desirability and feasibility of having a new financial year
2016	Amitabh Kant	To push cashless transaction
2017	Arun Jaitley	Merger of the Public Sector Banks
2017	R B Barman	Technical committee in accordance with Regulation 14 of the Insolvency and Bankruptcy Board of India (IBBI) Regulations, 2017.
2019	Nandan Nilekani	To strengthen digital payments

Financial Standards

There are certain financial standards in India which needs to be sound financial system of banks including International Financial Reporting Standards (IFRSs).

The Institute of Chartered Accountants of India (ICAI) has announced its decision to adopt International Financial Reporting Standards (IFRSs) in India with effect from 1st April, 2011.

International Financial Reporting Standards (IFRSs)

IFRSs are a set of International Accounting Standards stating how particular types of transactions and other events should be reported in financial statements. IFRSs are issued by the International Accounting Standards Board.

It addresses the need of record keeping, account reporting and other aspects of financial reporting and brings consistency to a accounting standards and practices, regardless of the company or the country.

IFRSs bring transparency by enhancing the international comparability and quality of financial information enabling investors and other market participants to make informed economic decisions. IFRSs are used in atleast 120 countries (as of 2020). Resources for IFRSs are issued by the International Accounting Standards Board (IASB).

International Accounting Standards Board (IASB)

IASB is an independent body formed in 2001 with the sole responsibility of establishing the IFRSs.

International Accounting Standards Board (IASB) is based in London. It has also provided the conceptual framework for Financial Reporting issued in September, 2010 which provides a conceptual understanding and the basis of accounting practices under IFRSs.



QUESTION BANK

- 1.** The Narsimham Committee I was setup to suggest some recommendations for improvement in the
 - (a) efficiency and productivity of the financial institution
 - (b) banking reform process
 - (c) export of IT sector
 - (d) fiscal reform process
 - (e) None of the above
- 2.** Which of the following is not a recommendation of the Narsimham Committee, 1991?
 - (a) Increase in number of Public Sector Banks (PSBs)
 - (b) Phasing out directed credit programme
 - (c) Reduction of Capital Adequacy Ratio
 - (d) Establishment of ARF Fund
 - (e) Autonomy to Public Sector Bank
- 3.** Narsimham Committee recommended to reduce SLR and CLR to
 - (a) 25% and 3.5% respectively
 - (b) 24% and 3.5% respectively
 - (c) 25% and 3% respectively
 - (d) 20% and 5% respectively
 - (e) 25% and 5% respectively
- 4.** Which of the following banks have entered capital market in the wake of Narsimham Committee recommendations?
 - (a) State Bank of India
 - (b) Oriental Bank of Commerce
 - (c) Bank of India
 - (d) All of the above
 - (e) None of the above
- 5.** Which of the following committees launched the process of reforms of financial system in India?
 - (a) Nariman Committee
 - (b) Narsimham Committee
 - (c) Gadgil Committee
 - (d) Puri Committee
 - (e) None of the above
- 6.** Which of the following committees recommended the establishment of an Asset Reconstruction Fund (ARF)?
 - (a) Narsimham Committee
 - (b) Chakravarty Committee
 - (c) Goiporia Committee
 - (d) Rajmanner Committee
 - (e) Kelkar Committee
- 7.** Which of the following committees stated that there was an urgent need for reviewing and amending main laws governing Indian Banking Industry like RBI Act, Banking Regulation Act, State Bank of India Act, Bank Nationalisation Act, etc.?
 - (a) Narsimham Committee
 - (b) Chakravarty Committee
 - (c) Goiporia Committee
 - (d) Rajmanner Committee
 - (e) Kelkar Committee
- 8.** The concept of Narrow Banking was first suggested by
 - (a) Narsimham Committee, 1919
 - (b) Narsimham Committee, 1998
 - (c) Nachiketa Mor Committee, 2013
 - (d) UK Sinha Committee, 2019
 - (e) Bimal Jalan Committee, 2014
- 9.** What was the purpose of setting up Narsimham Committee II? [IBPS PO 2017]
 - (a) Efficiency and productivity
 - (b) Banking reform process
 - (c) Export of IT sector
 - (d) Fiscal reform process
 - (e) None of the above
- 10.** The recommendations of the Committee on Banking Sector Reforms (Narsimham Committee II) include
 - (a) the 'Basel Core Principles of Effective Bank Supervision' should be regarded as the minimum to be attained
 - (b) the banks and primary dealers alone should be allowed in the interbank call and notice money markets

- (c) opening the Treasury Bill market to foreign institutional investors for broadening its base
(d) All of the above
(e) None of the above
- 11.** Which of the following are the recommendations of the Committee on Banking Sector Reforms (Narsimham Committee II)?
(a) A general provision of 1% on standard assets should be introduced
(b) Banks should bring out revised operational manuals and update them regularly
(c) There is a need for disclosure in a phased manner of the maturity pattern of assets and liabilities, foreign currency assets and liabilities, movements in provision account and NPAs
(d) All of the above
(e) None of the above
- 12.** Which one of the following committees was formed to look into the issues of customer services?
(a) M Damodaran (b) M V Nair
(c) Sudarshan Sen (d) Nachiket Mor
(e) KM Chandrasekhar
- 13.** Who head the 8-member task force constituted by Reserve Bank of India to examine issues related to offshore rupee markets and recommend policy measures?
[SBI PO 2019]
(a) Duvvuri Subbarao (b) Vishwanathan
(c) Shaktikanta Das (d) Usha Thorat
(e) Viral Acharya
- 14.** Usha Thorat Committee is related to
(a) NPA (b) NBFCs (c) ANBC (d) ATM Card
(e) Insurance
- 15.** Reserve Bank Panel headed by has made some important recommendations on priority sector lending. [IBPS 2011]
(a) M V Nair (b) Sudarshan Sen
(c) Nachiket Mor (d) KM Chandrasekhar
(e) MB Shah
- 16.** Which committee creating a sub-head of micro enterprises within the Micro and Small Enterprise (SME) sector?
[RBI Assistant 2012]
(a) Damodaran Committee
(b) Usha Thorat Committee
(c) MV Nair Committee
(d) N.K. Singh Committee
(e) YV Reddy Committee
- 17.** Which committee raising education loan ceiling by ₹ 5 lakh for students under priority sector?
(a) YV Reddy Committee
(b) MV Nair Committee
(c) YH Malegam Committee
(d) Mohanty Committee
(e) Usha Thorat Committee
- 18.** The “Committee on Comprehensive Financial Services for Small Businesses and Low Income Households” was setup by the RBI under the chairmanship of
(a) Rajiv Kumar (b) Sudarshan Sen
(c) KM Chandrasekhar (d) MB Shah
(e) Nachiket Mor
- 19.** Recommendations for every adult (above 18 yrs) of our country should have a bank account by 1st January, 2016 was given by
(a) Narsimham Committee
(b) Bimal Jalan Committee
(c) Deepak Mohan Committee
(d) Mohanty Committee
(e) Nachiket Mor Committee
- 20.** Every people (above 18 years) of our country should have a bank account as recommended by Nachiket Mor Committee. This account will be known as
(a) Universal Transfer Bank Account
(b) Universal Electronic Bank Account
(c) Universal Credit Bank Account
(d) Universal Saving Bank Account
(e) Universal Natural Bank Account
- 21.** was included in the 4 members RBI panel led by Bimal Jalan which examine application for new bank licenses.
(a) Rajiv Kumar (b) Sudarshan Sen
(c) Nachiket Mor (d) KM Chandrasekhar
(e) MB Shah
- 22.** Which of the following institutions has recently been allowed mandate for grant of Banking licence by the RBI? [SBI Clerk 2014]

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- (a) Bandhan Finance (b) HDFC
(c) LIC Housing (d) L and T Finance
(e) M and M Finance

23. Bandhan Bank Ltd. received the 'in-principle' approval of the RBI for setting up a universal bank in

- (a) April, 2011 (b) April, 2012
(c) April, 2013 (d) April, 2014
(e) April, 2015

24. Consider the following statements regarding Bandhan Bank.

- I. Bandhan Bank started operating its banking services on 1st October, 2016.
II. RBI gave its final nod for banking services in 2015.
III. Head Office of Bandhan Bank is in Kolkata.

Codes

- (a) Only II (b) II and III (c) I and III (d) I and II
(e) All of these

25. IDFC was incorporated on 30th January, 1997 with its registered office in [IBPS Clerk 2015]

- (a) Chennai (b) Bengaluru
(c) Kolkata (d) Mumbai
(e) Hyderabad

26. IDFC stands for

- (a) Infrastructure Development and Finance Corporation
(b) Indian Development and Finance Corporation
(c) Indian Development and Finance Company
(d) Infrastructure Development and Finance Company
(e) Infrastructure Deem and Finance Corporation

27. Reserve Bank of India (RBI) has constituted a committee to prepare a 5 year action plan to spread the reach of financial services across country to unbanked population. The committee will be headed by RBI Executive Director

- (a) Deepak Mohanty (b) Shankar Acharya
(c) Rajiv Kumar (d) KM Chandrasekhar
(e) PV Rajaraman

28. Which among the following committee recommended augmentation of social cash transfer schemes to increase personal disposable income of the poor?

- (a) Usha Thorat (b) PJ Nayak
(c) Deepak Mohanty (d) Nachiket Mor
(e) Bimal Jalan

29. Which committee recommended to repeal the Bank Nationalisation Act (1970, 1980), the SBI Act and SBI Subsidiaries Act?

- (a) P J Nayak (b) Deepak Mohanty
(c) N. K. Singh (d) G C Gupta
(e) YV Reddy

30. Union Government has launched a pronged plan called Indradhanush Mission to revamp functioning of Public Sector Banks (PSBs).

- (a) 2 (b) 5 (c) 7 (d) 11
(e) 21

31. The Indradhanush Mission is aimed to revamp the functioning of

- (a) Public Sector Banks (b) NBFC
(c) Private Sector Bank (d) RRB
(e) RBI

32. Announcement for Bank Board Bureau (BBB) was made in Budget speech for the year

- (a) 2013-14 (b) 2014-15 (c) 2015-16 (d) 2016-17
(e) 2017-18

33. Government had already announced that the posts of Chairman and Managing Director in Public Sector Banks were to be split into

- (a) MD and CEO
(b) Non-Executive Chairman
(c) Executive Officer
(d) Both (a) and (b)
(e) All of the above

34. BBB comprises of a Chairman and six more members with atleast

- (a) 1 former banker and 5 professionals
(b) 3 former bankers and 2 professionals
(c) 2 former bankers and 2 professionals
(d) 2 former bankers and 3 professionals
(e) 4 former bankers and 1 professional

35. Banks Board Bureau (BBB) is an autonomous body of

- (a) Reserve Bank of India
(b) Union Government of India
(c) SEBI (d) SIDBI
(e) None of the above

36. The first Chairman of Banks Board Bureau (BBB) was

- (a) Vinod Rai (b) Bimal Sharma
(c) MO Rego (d) SK Verma
(e) SR Rai

- 37.** Major function of Bank Board Bureau is to
 (a) Guide banks on mergers and consolidations
 (b) Guide banks on investment
 (c) Guide banks on HR solution
 (d) Guide banks on Scheme
 (e) Guide banks on banking regulation
- 38.** RBI Expert Committee proposed video KYC recommendation in
 (a) 2011 (b) 2012 (c) 2015 (d) 2018
 (e) 2019
- 39.** Which of the following is the purpose of introducing 'Know Your Customer' norms by the banks? [SBI PO 2011]
 (a) To bring more and more people under the banking net
 (b) Identifying people who do not pay income tax
 (c) To ensure that the money deposited in banks has come from genuine sources
 (d) To ensure whether the money deposited in the bank is of an Indian or a foreign national
 (e) None of the above
- 40.** Which of the following is the popular name of the norms by which a bank satisfies itself about the customer's identity and activities? [Corporation Bank 2011]
 (a) Basel Norms (b) KYC Norms
 (c) Service Norms (d) Lending Norms
 (e) None of these
- 41.** Desirability and feasibility for new financial year committee headed by [SBI PO 2016]
 (a) SC Gupta (b) Shankar Acharya
 (c) AK Khandelwal (d) YH Malegam
 (e) YV Reddy
- 42.** NK Singh committee is on [SBI PO 2016]
 (a) Base Rate
 (b) Financial Inclusion
 (c) Fiscal Responsibility and Budget Management Act
 (d) Money Lending and Enforcement Machinery
 (e) Small Savings Reforms
- 43.** The Insolvency and Bankruptcy Board of India (IBBI) has constituted a Technical Committee in accordance with Regulation 14 of the IBBI (Information Utilities) Regulations, 2017. The Technical Committee will be headed by [SBI PO 2017]
 (a) Mukulita Das (b) Navrang Saini
 (c) Dr. MS Sahoo (d) Dr. RB Barman
 (e) Shipra Shetty
- 44.** A working group on cheque transactions and E-cheques was constituted by the Reserve Bank of India under the chairmanship of Dr RB Barman and major recommendations of group include
 (a) the physical cheque will be truncated within the presenting bank
 (b) settlement will be generated on the basis of current MICR code line data
 (c) electronic images will be used for payment processing
 (d) All of the above
 (e) None of the above
- 45.** Reserve Bank of India (RBI) has appointed 5-members committee to strengthen digital payments as well as to boost financial inclusion through Financial Technology. Who will head the committee? [SBI Clerk 2019]
 (a) Ratan Lal (b) Raj Kumar Ratan
 (c) Nandan Nilekani (d) Cyrus Mistry
 (e) Bimal Jalan
- 46.** Who was the committee head of the merger of the Public Sector Banks? [IBPS Clerk 2018]
 (a) Raghuram Rajan (b) Bimal Jalan
 (c) Arun Jaitley (d) YV Reddy
 (e) Piyush Goyal

Answers

1. (a)	2. (a)	3. (a)	4. (d)	5. (b)	6. (a)	7. (a)	8. (b)	9. (b)	10. (d)
11. (d)	12. (a)	13. (d)	14. (b)	15. (a)	16. (c)	17. (b)	18. (e)	19. (e)	20. (b)
21. (c)	22. (a)	23. (d)	24. (b)	25. (d)	26. (a)	27. (a)	28. (c)	29. (a)	30. (c)
31. (a)	32. (c)	33. (d)	34. (b)	35. (b)	36. (a)	37. (a)	38. (e)	39. (c)	40. (b)
41. (b)	42. (c)	43. (d)	44. (d)	45. (c)	46. (c)				

FINANCIAL INSTITUTIONS IN INDIA

Financial institution is referred to as a company that deals in all types of finance related businesses.

It is responsible for the supply of money to the market through the transfer of funds from investors to the companies in the forms of loans, deposits and investments.

Financial Institutions of India

For comprehensive development of the country as a whole, every sector of the economy needs optimum allocation of finance.

To meet this objective, the government have established many such Financial Institutions, some of them are mentioned below

NABARD (National Bank for Agriculture and Rural Development)

NABARD is a financial institution that was dedicated to the service of the nation by the late Prime Minister Smt. **Indira Gandhi** on **5th November, 1982**. NABARD was setup with an initial capital of ₹ **100 crore**. It is headquartered

at Mumbai. It is an apex regulatory agency for Regional Rural Bank and Cooperative Bank under the Ministry of Finance, Government of India.

NABARD was the subsidiary of RBI before 26th February, 2019. After that, it is wholly owned by the Government of India. NABARD is an Apex Development Bank with the mandate for facilitating credit flow for promotion and development of agriculture, small scale industries, cottage and village industries, handicrafts and other rural crafts. Among its other objectives, support to allied economic activities in rural areas and promoting integrated and sustainable rural development are included.

It was established on the recommendations of B. Sivaramman Committee on 12th July, 1982 to implement the National Bank for Agriculture and Rural Development Act, 1981. It replaced the Agriculture Credit Department (ACD), Rural Planning and Credit Cell (RPCC) of RBI and Agricultural Refinance and Development Corporation (ARDC). As on June, 2021, Dr. GR Chintala is the Chairman of NABARD.

Institutions Regulated by NABARD

NABARD is an apex regulatory body for overall regulation and licensing of RRBs and apex cooperative banks in India. State Cooperative Agriculture and Rural Development Banks (SCARDBs) and Primary Cooperative Agriculture and Rural Development Banks (PCARDBs) are also regulated by NABARD.

1. **State Cooperative Agriculture and Rural Development Banks (SCARDBs)** It is a central sector scheme of India which aims at raising resources of State Land Development Banks (SLDBs) for long term lending to cultivators by way of floatation of debentures in vital areas such as minor irrigation, farm mechanisation, land development, horticulture, etc.

2. **Primary Co-operative Agriculture and Rural Development Banks (PCARDBs)** It plays an important role in meeting the credit requirement of the rural population.

In India, the Rural Development Bank is functioning on four tier system that is at national level (NABARD), at state level, at district level and at taluk level. Taluk level banks are called PCARD Banks.

3. **Regional Rural Banks (RRBs)** These were established under the provisions of the RRB Act, 1976 to provide sufficient banking and credit facility for agriculture and other rural sectors. They are empowered to transact business of banking as defined under Banking Regulation Act, 1949. The equity of the RRB is contributed by the central government, concerned state government and sponsor bank in the proportion of 50 : 15 : 35.

Functions of NABARD

- It is the apex organisation related to financing in the agricultural sector.
- Rural Infrastructure Development Fund (RIDF) is operated by NABARD.

- Helps Self Help Group (SHG) and poor people in rural areas.
- Recommends about licensing for RRBs, Co-operative banks to RBI.
- Provides refinance to lending institutions in rural areas.

RIDF (Rural Infrastructure Development Fund)

Government of India created the RIDF in NABARD in **1995-96**, with an initial corpus of ₹ 2000 crore.

The main aim of RIDF is to provide loans to state governments for rural infrastructure projects. This fund is maintained by NABARD.

The primary role or activity of RIDF is to assist the government in identifying the important projects and listing them according to their priority. The purpose of RIDF is to promote innovation in rural and agricultural sector through viable means. Rural roads and bridges under RIDF have improved market access to farmers. Check dams and irrigation structures have augmented their water resources.

SIDBI (Small Industries Development Bank of India)

Small Industries Development Bank of India (SIDBI) was setup on **2nd April, 1990** under an Act of Indian Parliament, acts as the principal financial institution for the promotion, financing and development of the Micro, Small and Medium Enterprise (MSME) sector and for coordination of the functions of the institutions engaged in similar activities. This statutory body is regulated by RBI and is headquartered in Lucknow.

Functions of SIDBI

- It refinances loans that are extended by the Primary Lending Institutions (PLIs) to the small-scale industrial units.
- It provides technical support for modernisation and technological up-gradation of small-scale industries.
- It has developed SME Rating Agency of India Ltd. (SMERA), which is the first rating agency of India in Small and Medium Enterprises (SME) segment.

- To support Small-Scale Industrial Units it has founded a Credit Guarantee Fund Trust and SIDBI Venture Capital Ltd.

SIDBI (Amendment) Act, 2012

The main objective of this Act was to amend key definitions relating to the coverage of SIDBI and to provide additional functions to SIDBI. Emerging industrial activities such as floriculture, establishment or development of tourism related facilities, construction and maintenance of roads, etc., were included under the definition of industrial activities. These industrial activities will now be eligible to get direct loans from SIDBI. This Act also included micro-finance institutions under the ambit of SIDBI.

New Initiatives of SIDBI

- SIDBI in 2019, launched **SIDBI-Loan** for Purchase of Equipment for Enterprise Development (SPEED) to facilitate the flow of credit to MSMEs for investing in machineries.
- SIDBI in 2019, launched outreach programme for strengthening MSME ecosystem in nine states.
- Government in 2016 launched Fund of Funds under SIDBI to promote startup ecosystem and boost entrepreneurship in India.
- SIDBI Make in **India Soft Loan Fund for MSMEs (SMILE)** was launched in 2015 to provide for the financial requirements for new enterprises which are in the manufacturing or in the service sector.
- In 2015, India Aspiration Fund (IAF) was launched under SIDBI to boost startup ecosystem in the country.

Mahila Aajeevika Bond

The World Bank, SIDBI and the UN Women announced the launch of a new social impact bond to offer credit to rural women entrepreneurs on 19th February, 2019. Named as Women's Livelihood Bond (Mahila Aajeevika Bond), it will offer an annual coupon of 3% and will have a tenure of five years.

National Housing Bank (NHB)

It was setup on 9th July, 1988 under the National Housing Bank Act, 1987. The Finance Act, 2019

amended the National Housing Bank Act, 1987, after which the government fully took over NHB.

NHB is the apex institution of housing finance in India. Its Head Office is at New Delhi. There are more than 70 housing finance companies registered under NHB.

NHB subsidy is offered under the Government Housing Schemes i.e., Pradhan Mantri Awas Yojana and Rural Housing Interest Subsidy Scheme (RHSS) to the eligible applications. The housing finance companies in India are regulated by the RBI.

Functions of NHB

- To provide a sound, healthy, viable and cost effective housing finance system to all segments of the population and to integrate the housing finance system with the overall financial system.
- To make housing credit more affordable.
- To regulate the activities of housing finance companies based on regulatory and supervisory authority derived under the Act.

Financial Stability and Development Council (FSDC)

Financial Stability and Development Council is apex-level body constituted by the Government of India in 2010. The idea to create such a super regulatory body was first mooted by Raghuram Rajan Committee in 2008. FSDC deals with macro-prudential and financial regularities in the entire financial sector of India.

Financial Institutions for Specific Areas

Export-Import Bank of India (EXIM)

EXIM was established on 1st January, 1982 under the Export-Import Bank of India Act, 1981. It is the premier export finance institution in India. It is headquartered at Mumbai.

Functions of EXIM

- EXIM has been both a catalyst and a key player in the promotion of cross border trade and investment.

- EXIM has, over the period, evolved into an institution that plays a major role in partnering Indian industries, particularly the small and medium enterprises.
- It also provides refinance facilities for exporters, consultancy and technology services and other services of finding foreign markets for exporters.

Unit Trust of India (UTI)

Unit Trust of India is a financial organisation in India, which was created by the UTI Act passed by the Parliament on 30th December, 1963. UTI Bank changed its name to AXIS Bank with effect from 1st August, 2007.

Indian Industrial Development Bank of India (IDBI)

It was established in **July, 1964** by an Act of Parliament. Because of the rising NPA, it was put under the Prompt Corrective Action (PCA) framework by RBI in 2017. It was taken out from PCA framework subject to certain conditions and continuous monitoring in March 2021. LIC completed the acquisition of 51% controlling stake on 21st January, 2019 making it the majority shareholder of the IDBI Bank. It is re-categorised as Private Sector Bank for regulatory purposes on 21st January, 2019. IDBI is at par with nationalised banks.

Industrial Credit and Investment Corporation of India (ICICI)

Industrial Credit and Investment Corporation of India (ICICI) was formed in 1955 at the initiative of the World Bank, the Government of India and representatives of Indian industry. The main objective of this bank was to provide medium and long term financing needs of the Indian businesses.

ICICI Bank established on **5 January, 1994** as a whole subsidiary of ICICI. In 2002, ICICI merged with ICICI Bank.

It provides assistance to industries by guaranteeing rupee and foreign currency loans and underwriting issues of shares and debentures. It also helps in channelising World Bank Funds to Industry in India.

India Infrastructure Finance Company Ltd (IIFCL)

IIFCL is a wholly-owned Government of India company setup in 2006. IIFCL has been registered as a Non-Banking Financial Company - Non - Deposit - Infrastructure Finance Company (NBFC-ND-IFC) with RBI since September, 2013. IIFCL raises funds through long-term resources from both domestic as well as global markets.

Functions of IIFCL

- It plays an instrumental role in promotion, development and financing of the infrastructure sector in India.
- It provides long-term financial assistance to viable infrastructure projects through the scheme for Financing Viable Infrastructure Projects through a special purpose Vehicle.
- It also provides inputs and policy supports on the infrastructure financing sector to the Government through various forums.

Irrigation and Water Resources Finance Corporation (IWRFC)

The Irrigation and Water Resources Finance Corporation Limited (IWRFC) was formed on 29th March, 2008 to facilitate massive investment needs of the irrigation projects in India. Its head office is in New Delhi. In 2016, IWRFC was amalgamated with Indian Infrastructure Finance Company Ltd (IIFCL). IWRFC is classified as Public Unlisted Union Government Company.

Industrial Finance Corporation of India (IFCI)

IFCI Ltd., a statutory corporation was set up on 1st July, 1948 through the Industrial Finance Corporation of India Act, 1948 to provide medium and long-term finance to industry.

IFCI is also a systemically important Non-Deposit taking Non-Banking Finance Company registered with the Reserve Bank of India. It grants loans and advances to industrial establishments in India. It had initiated a new scheme for revival of sick units in small and medium sectors.

It also underwrites the issue of bonds, stocks and shares issued by industrial establishments and look after matters such as capital restructuring, mergers, amalgamations, loan syndication, etc.

Industrial Investment Bank of India (IIBI)

- The Industrial Investment Bank of India was a 100% Government of India owned financial investment institution.
- It was established in 1971 to provide for long-term finance to the Industrial Sector of India. The bank was headquartered at Kolkata.
- IIBI was initially setup as Industrial Reconstruction Corporation Limited (IRCL) during 1971, when it was renamed Industrial Reconstruction Bank of India with effect from 20th March, 1985 under RBI Act, 1984. It was closed down by the Indian Government in 2012.

Other Financial Institutions

Co-operative Credit Societies

- In India, Co-operative Banks are registered under the Co-operative Societies Act, 1912.
- They generally give credit facility to small farmers, salaried employees, small scale industries, etc. They operate both in rural as well as urban areas. The functions of these banks are similar to that of Commercial Banks.

Land Development Banks

- Special type of credit societies called Land Development Banks have been formed to meet the long-term credit requirements of farmers.
- These banks were first established in the Jhang area of undivided Punjab and were called Land Mortgage Banks.
- These banks are now called State Co-operative Agricultural and Rural Development Banks.

State Financial Corporations (SFCs)

- The State Financial Corporation Act was passed by the Government of India in 1951 with a view to provide financial assistance to small and medium scale industries which were beyond the scope of IFCI.

- According to this Act, a State Government is empowered to establish a financial corporation to operate within the state.
- The main function of the SFCs is to provide loans to small and medium scale industries engaged in manufacturing, preservation or processing of goods, mining, hotel industry, generation or distribution of power, transportation, fishing, assembling, repairing or packaging articles with the aid of power, etc.

Export Credit Guarantee Corporation of India (ECGC)

- ECGC Ltd. was established on 30th July, 1957 to strengthen the export promotion by covering the risk of exporting on credit.
- It is headquartered at Mumbai. It is a company wholly owned by Government of India.
- It provides insurance cover in respect of risks in export trade.

Brokerage Firms

- Brokerage firms assists individuals and institutions in buying and selling securities among available investors.
- Customers of brokerage firms can place trades of stocks, bonds, mutual funds, exchange traded funds and some alternative investments.

Mortgage Companies

- Financial institutions that originate or fund mortgage loans are called mortgage companies.
- While most mortgage companies serve the individual consumer market, some specialise in landing options for commercial real estate only.
- HDFC was incorporated on 17 October, 1977 as the first specialised mortgage company in India.

Lead Convenor Bank

- The Lead Convenor Bank was established through Lead Bank Scheme of 1969, in which individual bank (both public and private) was allotted a district for the development. This bank monitored the activities of lead bank in the state.
- It comprises representatives of RBI, NABARD, RRBs, etc. For example, SBI is the lead convenor

bank of Ladakh. Jammu & Kashmir Bank is lead convenor bank of Jammu and Kashmir. The lead Convenor Banks are appointed by RBI.

Investment Banks and Companies

Investment banks do not take deposits, instead, they help individuals, businesses and government raise capital through the issuance of securities. Investment companies, more commonly known as mutual fund companies, pool funds from individual and institutional investors to provide them access to the broader securities market.

Important Terms of Financial Institution

1. **Public Issues** Capital market constitutes primary (new issue market) and secondary (stock) markets. The primary market helps the public and private sector companies in raising finance mainly for their new projects, expansion, modernisation and acquisition. Secondary market provides liquidity for the financial instruments (equity, preference share, debenture/land) through adequate market ability and price continuity.
2. **Public Deposits** They are an important source for financing the medium-term and long-term requirements of the company. They imply any money received by a company through deposit or loan collected from public. The public includes the general public, employee and shareholders of company, but excludes the money received in the form of shares and debentures.
3. **Factoring** It is a financial transaction in which a business sells its accounts receivable (i.e. invoices) to a third party (called a factor) at a discount. Factoring is a process of fulfilling the credit requirement by lending of material or asset to another person. This process is very popular in manufacturing industry.

4. **Venture Capital (VC)** It is a form of private equity and a type of financing that investor provide to startup companies and small businesses that are believed to have long term growth potential.

It generally comes from well-off investors, investment banks and others financial institutions. It can be provided to companies at different stages of their evolution, although it often involves seed funding. It is an important source for raising capitals for those companies which lack access to capital market.

Priority Sector Lending Policy (PSLP)

RBI introduced the system of priority sector lending to ensure that banks increase their involvement in the financing of priority sectors like agriculture, small industries, etc.

Presently, all domestic commercial banks and foreign banks with more than 20 branches are to lend 40% of their adjusted Net Bank Credit to priority sector.

Banks who fail to achieve priority sector targets have to contribute funds to financial institutions like SIDBI/RIDF, etc., as specified by RBI.

As per RBI, PSLP includes the following

- Agriculture
- Small scale industries
- Small road and water transport operators
- Retail trade
- Small business
- Professional and self-employed persons
- Education
- Housing
- Micro-credit
- Loans to the software industries
- Loans to the specified industries in the food and agro-processing sector, etc.



QUESTION BANK

- 1.** Finance consists of financial system which include(s)
(a) Public space (b) Private space
(c) Government space (d) All of these
(e) None of these
- 2.** Which of the following is not the part of the structure of the financial system in India?
(a) Industrial finance
(b) Agricultural finance
(c) Government finance
(d) Personal finance
(e) All of the above
- 3.** Short term finance is related to
(a) upto 15 days (b) upto 15 months
(c) upto 4 years (d) upto 5 years
(e) upto 6 years
- 4.** Which of the following is/are the institutional source of finance in India?
(a) Insurance companies
(b) UTI
(c) Co-operative societies
(d) All of the above
(e) None of the above
- 5.** NABARD is a
(a) board (b) bureau
(c) bank (d) department
(e) None of these
- 6.** NABARD extends refinance to
(a) State Land Development Banks, State Cooperative Banks
(b) Regional Rural Banks
(c) Commercial Banks and other financial institutions approved by RBI
(d) All of the above
(e) None of the above
- 7.** Which agency is exclusively concerned with the credit needs of all types of agricultural and rural development?
(a) State Bank of India
(b) Industrial Development Bank of India
(c) Reserve Bank of India
(d) NABARD
(e) None of the above
- 8.** Which of the following is one of the major activities of the National Bank for Agriculture and Rural Development (NABARD)? [RBI Assistant 2012]
(a) Onsite inspection of Co-operative Banks and Regional Rural Banks (RRBs)
(b) Helping Government of India in preparing Union Budget and presenting it in the Cabinet meeting
(c) Acting as custodian of the foreign exchange reserve of the country
(d) Deciding rate of interest on Saving Bank Accounts in Public Sector Banks
(e) Representing India in World Bank and other such agencies
- 9.** NABARD is responsible for regulating and supervising the function of [IBPS PO 2013]
(a) Investment and Industrial Finance Banks
(b) Co-operative Banks and Regional Rural Banks
(c) Corporate Finance and Overseas Banking Units
(d) Private Sector and Multinational Banks
(e) Reserve Bank of India
- 10.** Which of the following bodies regulates the Regional Rural Banks? [IBPS PO 2015]
(a) RBI
(b) NABARD
(c) Department of Rural Development
(d) State Government
(e) SIDBI
- 11.** Which of the following organisations/agencies is specifically setup to boost overall rural development in India?
(a) RBI (b) SIDBI
(c) NABARD (d) SEBI
(e) None of these
- 12.** NABARD provides refinance to
(a) scheduled commercial banks
(b) co-operative banks
(c) regional rural banks
(d) All of the above
(e) None of the above

- 13.** NABARD provides refinance assistance for
 (a) promotion of agriculture
 (b) promotion of small scale industries
 (c) cottage and village industries
 (d) All of the above
 (e) None of the above
- 14.** NABARD was constituted on the recommendations of
 (a) B. Sivaramman Committee
 (b) Narasimham Committee
 (c) Santhanam Committee
 (d) P J Nayak Committee
 (e) None of the above
- 15.** Which of the following institutions is related to NABARD?
 (a) SCARDB (b) PCARDB
 (c) RRB (d) All of these
 (e) None of these
- 16.** Regional Rural Banks are empowered to transact business of banking as defined under **[IBPS Clerk 2015]**
 (a) Regional Rural Banks Act, 1976
 (b) Negotiable Instruments Act, 1881
 (c) Banking Regulation Act, 1949
 (d) The Banking Companies (Acquisition and Transfer of Undertaking) Act, 1970
 (e) None of the above
- 17.** Paid-up share capital of Regional Rural Bank is contributed by **[IBPS Clerk 2015]**
 (a) Central government only
 (b) State government only
 (c) Central government, State government and the sponsor commercial bank in the ratio of 50 : 15 : 35 respectively
 (d) NABARD, the concerned State Government and the sponsor commercial bank in the ratio of 60 : 20 : 20 respectively
 (e) All of the above
- 18.** Rural Infrastructure Development Fund was setup in
 (a) 1970-71 (b) 1982-83
 (c) 1995-96 (d) 2000-01
 (e) 2002-03
- 19.** Rural Infrastructure Development Fund is operated by
 (a) NABARD (b) SBI
 (c) PNB (d) PCARDBs
 (e) SIDBI
- 20.** The main aim of RIDF is to provide loans for
 (a) land development
 (b) village industries
 (c) rural infrastructure project
 (d) MSMEs loan
 (e) housing project
- 21.** Principal function of SIDBI is **[IBPS Clerk 2015]**
 (a) promotion of SSI (b) finance of SSI
 (c) development of SSI (d) All of these
 (e) None of these
- 22.** Which of the following is the name of the organisation created specifically to develop small scale industrial sector in our country?
 (a) NABARD (b) SEBI
 (c) SIDBI (d) AMFI
 (e) None of these
- 23.** A credit Guarantee Trust Fund has been set up for guaranteeing collateral free facilities by lending institutions to small scale industries. This fund is being managed by which of the following institutions? **[IBPS Clerk 2014]**
 (a) SDBI (b) NABARD
 (c) SBI (d) SIDBI
 (e) RBI
- 24.** Which of the following organisations is made specifically responsible for empowering micro, small and medium enterprise in India? **[SBI PO 2013, Clerk 2015]**
 (a) NABARD (b) RBI (c) SIDBI (d) ECGC
 (e) SEBI
- 25.** What is SMERA?
 (a) Bank (b) Small enterprise
 (c) Rating agency (d) RRB
 (e) Public Sector Bank
- 26.** SIDBI is a statutory body and regulated by
 (a) RBI (b) SBI (c) PNB (d) NABARD
 (e) RIDF
- 27.** Which bond for women in India was released by World Bank, United Nations and SIDBI in the year 2019? **[SBI PO 2015]**
 (a) Mahila Vikas Bond
 (b) Mahila Rahat Bond
 (c) Mahila Suraksha Bond
 (d) Mahila Aajeevika Bond
 (e) Udyami Bond

94 BANKING AWARENESS

- 28.** The definition of industrial units has been expanded as per the SIDBI Amendment Act,
(a) 1986 (b) 1995 (c) 2000 (d) 2010
(e) 2012
- 29.** Which of the following organisations is not the subsidiary of Reserve Bank of India?
(a) National Housing Bank (NHB)
(b) Deposit Insurance and Credit Guarantee Corporation of India
(c) Bharatiya Reserve Bank Note Mudran Private Limited (BRBNMPL)
(d) Reserve Bank Information Technology (ReBIT) Private Limited
(e) None of the above
- 30.** NHB was setup on
(a) 9th July, 1988 (b) 20th August, 2000
(c) 18th June, 2001 (d) 11th June, 2003
(e) 5th June, 2005
- 31.** NHB is the apex institution of finance in India.
(a) rural (b) housing
(c) construction (d) small
(e) irrigation
- 32.** What is N in NHB?
(a) National (b) New
(c) Nodal (d) Number
(e) None of these
- 33.** What is D in FSDC?
(a) Development (b) Direct
(c) Diet (d) Decorate
(e) Dean
- 34.** The Export Import Bank of India was setup in
(a) June, 1969 (b) April, 1970
(c) January, 1982 (d) April, 1982
(e) None of these
- 35.** Which one of the following financial institutions focuses solely on export promotion?
(a) SIDBI (b) NABARD
(c) NHB (d) EXIM Bank
(e) IDBI
- 36.** EXIM Bank also provides
(a) refinance facilities
(b) consultancy and technology services
(c) services of finding foreign markets for exporters
(d) All of the above
(e) None of the above
- 37.** AXIS Bank is the changed name of
(a) IDBI (b) ICICI (c) UTI (d) UTO
(e) RBI
- 38.** Which institution provides long run finance to industries?
(a) UTI (b) LIC (c) GIC (d) IDBI
(e) All of these
- 39.** IRDAI has given its approval to LIC for the stake purchase that will help get a capital support of ₹ 10,000-13,000 crore in which of the following states owned banks?
[IBPS Clerk 2018]
(a) Union Bank of India (b) IDBI Bank
(c) United Bank of India (d) Indian Bank
(e) IDFC Bank
- 40.** Choose the correct statement regarding IDBI.
I. IDBI was established in 1990.
II. It provides credit and other facilities for the development of the fledgling Indian industry.
III. IDBI Bank is at a par with nationalised banks.
(a) I and II (b) II and III (c) I and III (d) Only II
(e) I, II and III
- 41.** Consider the following statements regarding IFCI Ltd.
I. IFCI Ltd. was setup in 1948.
II. IFCI is a systematically important non-deposit taking NBFC registered with the RBI.
III. IFCI become a government controlled company on 2nd December, 2000.
Which is/are correct?
(a) Only I (b) Only III (c) Only II (d) I and II
(e) All of these
- 42.** The Reserve Bank of India categorised IDBI as a Private Sector Bank. Consider the statements regarding IDBI Bank.
(a) LIC is acquiring 51% of the total paid up equity share capital of the bank.
(b) IDBI Bank has been under the Prompt Co-operative Action (PCA) framework of RBI which bans it from corporate lending, branch expansion, salary hike and other regular activities.
(c) The bank informed about appointment of LIC as a corporate agent under bank assurance channel
(d) All of the above
(e) None of the above

- 43.** ICICI provides financial assistance to
 (a) small scale industries
 (b) medium scale industries
 (c) large scale industries
 (d) All of the above
 (e) None of the above
- 44.** ICICI provides assistance by way of
 (a) long and medium-term loans and equity participation
 (b) guaranteeing rupee and foreign currency loans raised from other sources
 (c) underwriting issues of shares and debentures
 (d) All of the above
 (e) None of the above
- 45.** The most significant feature of ICICI's operations is
 (a) the foreign currency loans sanctioned by it
 (b) to channelise World Bank funds to industry in India and to build capital market in India
 (c) the refinance facility extended by it
 (d) Both (a) and (b)
 (e) None of the above
- 46.** IIBI was headquartered at
 (a) Mumbai (b) Kolkata (c) Patna (d) Ranchi
 (e) Delhi
- 47.** Which financial institution was established by IBRD American Mission, in 1955?
 (a) IDBI (b) ICICI (c) SBI (d) RRB
 (e) PNB
- 48.** IFCI was established in
 (a) 1924 (b) 1948 (c) 1975 (d) 1999
 (e) 2001
- 49.** In India, Co-operative Banks are registered under the Co-operative Societies Act,
 (a) 1905 (b) 1908 (c) 1912 (d) 2001
 (e) 2005
- 50.** What is S in SFCs?
 (a) Simple (b) Short
 (c) Sector (d) State
 (e) Sources
- 51.** assists individuals and institutions in buying and selling securities.
 (a) Mortgage Companies
 (b) Lead Convenor Bank
 (c) Industrial Bank
 (d) Brokerage Firms
 (e) Land Development Bank
- 52.** First specialised mortgage company in India was
 (a) HDFC (b) ICICI
 (c) NHB (d) NABARD
 (e) SIDBI
- 53.** Public issues are related to
 (a) capital market
 (b) scheme
 (c) manufacturing company
 (d) housing finance
 (e) rural irrigation
- 54.** Public deposits are an important source of financing the and term requirements of the company.
 (a) medium and long (b) short and medium
 (c) short and long (d) Both (b) and (c)
 (e) None of these
- 55.** This process is very popular in manufacturing industries.
 (a) Public issue (b) Public deposits
 (c) Factoring (d) Venture capital
 (e) Investment Bank
- 56.** As per RBI, priority sector includes
 (a) agriculture (b) retail trade
 (c) housing (d) education
 (e) All of these

Answers

1. (d)	2. (d)	3. (b)	4. (d)	5. (c)	6. (d)	7. (d)	8. (a)	9. (b)	10. (b)
11. (c)	12. (d)	13. (d)	14. (a)	15. (d)	16. (c)	17. (c)	18. (c)	19. (a)	20. (c)
21. (c)	22. (c)	23. (d)	24. (c)	25. (c)	26. (a)	27. (d)	28. (e)	29. (a)	30. (a)
31. (b)	32. (a)	33. (a)	34. (c)	35. (d)	36. (d)	37. (c)	38. (d)	39. (b)	40. (b)
41. (d)	42. (d)	43. (c)	44. (d)	45. (d)	46. (b)	47. (b)	48. (b)	49. (c)	50. (d)
51. (d)	52. (a)	53. (a)	54. (a)	55. (c)	56. (e)				

MONEY AND FINANCIAL MARKET

Money

Money is an object or record that is generally accepted as payment for goods and services and repayment of debts in a given socio-economic context of a country. Any kind of object or secure variable record that fulfills these functions can be considered as money. It plays an important role in our life. Modern form of money includes paper notes and coins.

Types of Money

There are many types of money. The important types of money are explained below

1. Metallic Money

Money made up of any metal is called metallic money. It refers to coins that are made up of various metals like gold, silver, nickel, copper, etc. The right of minting coins, is the monopoly of the government of the country.

Metallic money is further classified into

- (i) **Standard Money** or full bodied money is that money whose face value (value as money) is equal to the intrinsic value (value as commodity). Standard money/coins are generally made up of gold and silver.

- (ii) **Token Money** is that money whose face value (value as money) is greater than its intrinsic value (value as commodity). Token money/coins are generally made up of cheaper metals like copper, nickel, etc. (Indian ₹1 coin is token money).

- (iii) **Subsidiary Money** The purpose of subsidiary money is to help token money. All coins from 50 paise to ₹ 10 are the subsidiary money. It is legal money.

2. Paper Money

Money made up of paper is called **paper money**. Paper money consists of currency notes issued by the government or the Central Bank of a country.

Paper money is of following types

- (i) **Representative Paper Money** The paper money which is fully backed by gold and silver reserves is called representative paper money.
- (ii) **Convertible Paper Money** It is that paper money which is convertible into standard coins.
- (iii) **Inconvertible Paper Money** It is that paper money which is not convertible into standard coins or valuable metals.

- (iv) **Fiat Money** Paper money which circulates on the authority (i.e., fiat) of the government is fiat money. Fiat money is created and issued by the state. It is only a variety of inconvertible paper money.

3. Acceptable Money

On the basis of general acceptability, money can be categorised into legal tender money and non-legal tender money (optional money). They can be understood as follows

(i) Legal Tender Money

It refers to that money which the state and the people accept as means of payment in discharge of debts. Legal tender money is enforced by law. No one can refuse to accept it as a means of payment.

Legal tender money may be of two types

- (a) **Limited Legal Tender Money** It is accepted only upto a certain limit. For example, in India, the small coins of 50 paise are legal tender money only upto a sum of ₹ 20.
- (b) **Unlimited Legal Tender Money** It is that money which has to be accepted as a medium of payment upto any amount. In India, 50 paise coins, ₹ 1, ₹ 2, ₹ 5, ₹ 10, ₹ 20 coins and currency notes of all denominations are unlimited legal tender money.

(ii) Non-Legal Tender Money

- It is also known as **optional money**. It refers to that money which may or may not be accepted as a means of payment.
- Optional money has no legal sanction. No one can be forced to accept optional money.
- Different credit instruments like cheques, bankdrafts, bill of exchange, treasury bills, insurance policies, bonds, etc. are examples of optional money.

4. Adjacent Money

It is not exact money, but near to money. Because its nature of liquidity is more in comparison to others. Bond, government debenture, etc. are consider as adjacent money.

Money in India

In India, RBI is authorised to issue currency notes, on behalf of the Government of India.

There is a legal sanction behind every currency, that implies that a rupee cannot be refused as a means of setting transactions in India. Thus, rupee is the universally accepted means of exchange in India.

The Indian Currency System

- The present monetary system of India is based on **inconvertible paper currency** and is managed by the Reserve Bank of India.
- The present currency system is based on minimum reserve system of note issue. It was adopted in 1957.
- Under the minimum reserve system, RBI has to keep a minimum reserve of ₹ 200 crore comprising of gold coins and foreign currencies.
- Out of the total ₹ 200 crores, ₹ 115 crore should be in form of gold.
- Rupee coins are the legal tender in India under the provision of Indian Coinage Act, 1906.
- In India, the System of Decimal Coinage was introduced on 1st April, 1957.

Paper Currency in India

- British Government had given the right of issuing of currency notes to Bank of Bengal, but from 1st April, 1935, the only rights of issuing currency was given to RBI.
- Reserve Bank of India was established in 1935 as Central Bank of India and Chief Banking Authority of India. It is controller of credit in India.

₹ Symbol

The symbol of Indian Rupee (₹) came into use on 15th July, 2010.

The new symbol was designed by D Udaya Kumar. This symbol is an amalgamation of Devnagari 'Ra' and the Roman 'R' without the stem.

98 BANKING AWARENESS

Printing of Securities and Minting in India

Security Press	Station	Established Year	Related by
Currency Notes Press	Nasik, Maharashtra	1928	Bank notes from ₹ 1 to ₹ 100
Security Paper Press	Hoshangabad (MP)	1967-68	Banks and currency notes paper
Bank Notes Press	Dewas (MP)	1974	Bank notes of ₹ 20, ₹ 50, ₹ 100, ₹ 200, ₹ 500 and ₹ 2000
Security Notes Printing Press	Hyderabad	1982	Union excise duty stamps
India Security Press	Nasik	1992	Postal material, postal stamps, etc.
Modernised Currency Notes Press	Mysore (Karnataka), Salbani (West Bengal)	1995	Currency notes

Coins are minted at four places viz, Mumbai, Kolkata, Hyderabad and Noida.

Current Circulating Bank Notes

Value	Dimension	Main Colour	Description			Year of Issue
			Obverse	Reverse	Watermark	
₹ 5	117 mm × 63 mm	Green	Mahatma Gandhi	Tractor	Mahatma Gandhi and Electrottype denomination	2002/2009
₹ 10	123 mm × 63 mm	Brown		Konark Sun Temple		2018
₹ 20	129 mm × 63 mm	Yellow		Ellora Caves		2019
₹ 50	135 mm × 66 mm	Cyan		Hampi with Chariot		2017
₹ 100	142 mm × 66 mm	Lavender		Rani ki Vav		2018
₹ 200	146 mm × 66 mm	Orange		Sanchi Stupa		2017
₹ 500	150 mm × 66 mm	Stone grey		Red Fort		2016
₹ 2000	166 mm × 66 mm	Magenta		Mangalyaan		2016

Note All the currency notes are signed by Governor of RBI, except ₹ 1 which is signed by the Finance Secretary.

Relaunched ₹ 1 Note

After 20 years, RBI relaunched ₹ 1 note in March, 2015. In November, 1994, printing of ₹ 1 note was stopped mainly due to higher cost and for freeing capacity to print currency notes of higher denomination. Printing of ₹ 2 notes also were discontinued in 1995.

Languages in Currency

- Government of India has directed the coins and currency division of RBI to take appropriate steps to include Maithili as well as the remaining four languages i.e., Manipuri, Santhali, Dogri and Bodo, on the rupee note.
- Out of 22 languages, having been accorded official languages status (as per Eighth Schedule of the Constitution of India), only 17 find place on the Indian currency till now.

Demonetisation

Demonetisation is the act of banning/taking back of a currency unit of its status as a legal tender. Demonetisation is necessary whenever there is a change of national currency. The old unit of currency must be retired and replaced with a new currency unit.

History of Demonetisation

In January 1946, banknotes of ₹ 1000 and ₹ 100 were withdrawn and new notes of ₹ 1000, ₹ 50 and ₹ 10000 were introduced in 1954.

Janata Party coalition government had again demonetised banknotes of ₹ 1000, ₹ 5000 and ₹ 10000 on 16th January, 1978 as a means to curb counterfeit money and black money.

PM Narendra Modi has demonetised ₹ 500 and ₹ 1000 notes from 9th November, 2016, similar banknotes demonetisation have been taken in the past.

Minting of Coins

Mint is a place where coins are made from metals. Coins are minted by the Government of India and responsibility for their distribution and handling lies with RBI.

Coins are minted at four Government mints at Mumbai, Kolkata, Saifabad and Noida. As of June 2021, coins in denominations of One Rupee, Two Rupees, Five Rupees, Ten Rupees and Twenty Rupees are in circulation. The provision regarding minting of coins in India is contained in Coinage Act, 1906.

Measures of Money Supply in India

Money supply is the stock of liquid assets held by the public which can be freely exchanged for goods and services. RBI calculates various concepts of money supply. These are known as measures of monetary aggregates or money stock measures.

Various monetary and liquidity aggregates compiled in India are as follow

- Reserve Money (M_0) = Currency in Circulation + Bankers' Deposits with the RBI + Other Deposits with the RBI
- M_1 = Currency with the Public + Demand Deposits with the Banking System + Other Deposits with the RBI
- $M_2 = M_1 + \text{Post Office Savings Banks}$

- $M_3 = M_1 + \text{Time Deposits with the Banking System}$
- $M_4 = M_3 + \text{Office Savings of Banks (Excluding National Savings Certificates)}$
- The working group under the chairmanship of Dr YV Reddy the then Deputy Governor of RBI has suggested four new monetary measures (M_0, M_1, M_2, M_3).
- Here,
 M_0 = Reserve money which is most liquid measure of money supply
 M_1 = Narrow money
 M_3 = Broad money
- The decreasing order of liquidity of these monetary aggregates is $M_0 > M_1 > M_2 > M_3$.
- The decline in liquidity indicates the growing preference among general public regarding physical store of value such as cash.

Financial Market

Financial market is a transfer process between lender and debtor through which the transfer of financial fund can be done easily.

It provides safe exchange of financial assets. It provides liquidity to investors in the sale of financial assets and also ensures the minimum cost of exchange and related information.

Components of Indian Financial Market

- **Money Market** It is a key component of the financial market. It is a market for short-term funds with maturity ranging from overnight to one year and includes financial instruments that are deemed to be close substitutes of money. It is a safe place to park money in the short term.
- **Capital Market** It is a market for buying and selling equity and debt instruments. Capital market channels savings and investments among suppliers of capital such as retail investors and institutional investors and users of capital like businesses, government and individuals.

- **Commodity Market** It is a market that trades in primary rather than manufactured products. Soft commodities are agricultural products such as wheat, coffee and sugar. Hard commodities are mined such as gold, rubber and oil.
- **Derivatives Market** It is the financial market for derivatives, financial instruments like future contracts or options, which are derived from other forms of assets.
- **Insurance Market** Objective of this market is the equitable transfer of the risk of a loss from one entity to another. It is a form of risk management primarily used to hedge against the risk of a contingent uncertain loss.
- **Foreign Exchange Market** The Foreign Exchange Market (Forex, FX or Currency Market) is a global decentralised market for the trading of currencies. The main participants in this market are the larger international banks.

Money Market

The cluster of financial institutions that deal in short term securities and loans, gold and foreign exchange is termed as money market.

It is a key component of the financial system, as it is the function of monetary operations conducted by the Central Bank in its pursuit of Monetary policy objectives. Short term funds and financial assets that are close substitutes of money are considered in this market.

Close substitutes of money or near money assets are regarded to be the financial assets that can be easily converted into money with the minimum transaction cost and without a loss in value. In Indian money market there is a predominance of two distinct parts, one is organised and another is unorganised. To protect the investors, RBI had established Investor Protection Fund.

Functions of Money Market

- It provides an equilibrating mechanism for demand and supply of short term funds.
- It enables borrowers and lenders of short term funds to fulfill their borrowing and investment

requirements at an efficient market clearing price.

- It provides avenue for Central Bank intervention in influencing both quantum and cost of liquidity in the financial system, thereby transmitting Monetary Policy impulses to the real economy.

Difference between Money Market and Capital Market

	Money Market	Capital Market
Duration	It is for short term funds (1 year or less).	It is for long term funds (more than 1 year).
Instruments	Instruments are T-Bill, commercial papers, certificate of deposit, etc.	Instruments are shares, debentures, bonds, etc.
Institutions	Central banks, commercial banks, acceptance houses, non-banking financial institutions, bill brokers, etc.	Stock exchanges, Commercial banks and non-banking institutions such as insurance companies, mortgage banks, building societies, etc.
Broker	Transaction without the help of broker.	Transaction have to be conducted with the help of broker.
Market Regulation	Commercial banks are closely regulated.	The institutions are not much regulated.

Sub-Market of Money Market

A specialised sub-division of a market is known as sub-market. A money market consists of several sectors or sub-markets; each specialising in a particular type of lending. The following are the instruments that are integral part of the Indian money market system

Call Money Market

The call/notice money market forms an important segment of the Indian money market. It is an amount borrowed or lent on demand for a very short period.

Call money market deals in **short term financial assets**, which are close substitutes for money and repayable on demand. It mainly deals with day to day surplus funds of bank.

Under the notice money market, funds are transacted for the period between 2 days and 14 days.

Term money refers to borrowing/lending of funds for a period exceeding 14 days.

As these transactions are mostly done between banks and that too for short duration, collateral security is not required to cover these transactions.

The interest rate for transaction for loans is determined by the market and loans are availed through auction/negotiation. An electronic trading platform called Negotiated Trading System helps in transactions of instruments of this market.

Inter-bank Call Money Market

The 'inter-bank call money market' is a term used to refer comprehensively to a call money market for institution. It is not exclusively used by bank.

Inter-bank call money market customers can include other financial institutions, mutual funds, large corporations and insurance companies.

Bill Market

The underlying purpose of developing the bill market was to enable banks and other financial institutions to invest their surplus funds profitably by selecting appropriate maturities.

Some types of bill market are as follow

1. Commercial Bill Market

- It is the market that deals in commercial bills. A commercial bill or a bill of exchange is a short-term, negotiable and self-liquidating money market instrument.
- A bill of exchange is a negotiable instrument directing a certain person to pay a certain sum of money to the bearer of the instrument.
- It is also known as trade bill and involves three parties i.e. drawer, drawee and the payee.
- These trade bills are called commercial bills when they are accepted by commercial banks. Duration of commercial bill is 1 to 14 days only.

2. Treasury Bill (T-Bill)

- It is an instrument for short term borrowing by the government. The bill is issued by tender to the money market and to government departments through tap issues.
- Tenders are invited every week from bankers, discount houses and brokers.
- T-Bill provides the government with a highly flexible and relatively cheap means of borrowing money to meet its fluctuating needs for cash.
- For the customers it provides a sound security for dealings in the money market. The Reserve Bank of India, being the banker to the government, issues Treasury Bill at a discount.
- There are four types of Treasury Bill
 - (i) 14 days T-Bill
 - (ii) 91 days T-Bill
 - (iii) 182 days T-Bill
 - (iv) 364 days T-Bill
- The Reserve Bank now auctions 91 days T-Bills on a weekly basis and 182 days T-Bills (re-introduced in April, 2005) and 364 days T-Bills on a fortnightly basis, on behalf of the Central Government.

Commercial Paper (CP)

- Commercial Paper is issued in the form of a promissory note, sold directly by the issuer to investors or else placed by the borrowers through agents such as merchant banks and security houses.
- CP can be issued in denominations of ₹ 5 lakh or multiples thereof. It was introduced in India in 1990 to enable the corporate borrowers to raise short-term funds.
- This paper has a maturity of minimum 7 days and maximum of upto 1 year from the date of issue.
- This is negotiable and transferable by endorsement. It can be issued by corporate having tangible net worth of not less than ₹ 4 crore as per the latest balance sheet.

Promissory Note (PN)

- It is a legal document between a lender and a borrower, whereby the latter agrees to certain

conditions for the repayment of the sum of money borrowed.

- When one borrows from a commercial bank, he signs a promissory note. Particular form of promissory note, known as commercial paper, can be bought and sold.
- A promissory note is a written promise to pay within a specific time period. It establishes a clear record of a loan, either between individuals or between entities and are common documents in any financial service.
- They are usually issued by large corporations, but in some countries. Promissory notes are a common form of small business finance.

Certificate of Deposits (CD)

- Certificates of Deposits (CDs) are short-term financial securities issued by Commercial Bank and Special Financial Institutions (SFIs) and are freely transferable from one party to another.
- It is either issued in demat form or in the form of a usance promissory note. This instrument is issued in lieu of the funds deposited in a bank for a specified time period.
- Certificate of Deposits was first issued in New York in the 1960s and thus, denominated in dollars. Sterling CDs followed in 1968.
- Maturity period of Certificate of Deposits is from 7 months to 1 year and it is issued in the dematerialised form or as a usance promissory note. Certificate of Deposits is issued for ₹ 1 lakh or its multiples.

Repo

- It is a repurchase agreement entered into between eligible counter parties for borrowing and lending of funds on a collateralised basis.
- A repo involves selling of a security with the agreement to repurchase the same at a future date for a pre-determined price.
- Repo transactions are permitted between counter parties and in instruments permitted by the RBI.
- At present, repoable securities include Central Government Dated Securities, Treasury Bills,

State Development Loans and Government of India Special Securities like oil bonds, food bonds and fertiliser bonds.

- The entities permitted to undertake repo transactions include Scheduled Commercial Banks, Co-operative Banks, Primary Dealers, Mutual Funds, Insurance Companies and Corporate Entities.

Collateralised Borrowing and Lending Obligation (CBLO)

- A CBLO is a money market instrument that represents an obligation between a borrower and a lender concerning the terms and conditions of a loan.
- CBLO was operated by the Clearing Corporation of India Ltd. (CCIL), for the benefit of the entities who have either no access to the inter-bank call money market or have restricted access in terms of ceiling on call borrowing and lending transactions.
- CBLO was a discounted instrument available in electronic book entry with the maturity period ranging from one day to **90 days** (upto 1 year as per RBI guidelines).
- CBLO has been discontinued from **November, 2018**.

Unorganised Money Market

- This sector consists of unregulated non-bank financial intermediaries such as moneylenders, chit funds, nidhis, etc.
- Chit funds are saving institutions. They are of various types and do not have any standardised form.
- Chit funds have regular members, who make periodic contributions.
- Organised chit funds are regulated by the Registrar of Chit Funds under Chit Funds Act, 1982.
- There is however, regulatory confusion since Collective Investment Schemes (CISs) are to be registered and regulated by SEBI.
- Many chit funds take advantage of the regulatory loopholes.

Mutual Fund

It is a body corporate registered with Securities Exchange Board of India (SEBI) that pools money from individuals/corporate investors and invests the same in a variety of different financial instruments or securities such as equity shares, government securities, bonds, debentures, etc.

Mutual funds can thus be considered as financial intermediaries in the investment business that collect funds from the public and invest on behalf of the investors. Mutual funds issue units to the investors.

The appreciation of the portfolio or securities in which the mutual fund has invested the money leads to an appreciation in the value of the units held by investors.

The investment objectives outlined by a mutual fund in its prospectus are binding on the Mutual Fund Scheme. In a mutual fund, investors' subscriptions are accounted for as unit capital.

The investment objectives specify the class of securities. A mutual fund can invest in various asset classes like equity, bonds, debentures, basics of financial markets, etc.

Types of Mutual Fund

On the basis of closure time permitted, Mutual Fund is classified into

1. **Open-Ended Schemes** These are allowed to issue and redeem units any time during the life of the scheme. But close-ended funds cannot issue new units except in case of bonus or rights issue. Therefore, unit capital of open-ended funds can fluctuate on daily basis (as new investors may purchase fresh units).
2. **Close-Ended Schemes** New investors can join the schemes by directly applying to the mutual fund at applicable net asset value related prices in case of open-ended schemes, but not in case of close-ended schemes. In case

of Close-Ended Schemes, new investors can buy the units only from secondary markets.

3. **Offshore Mutual Funds Schemes** These make investments in international markets and hence, are also referred to as international funds.

These schemes invest in stocks of overseas firms and MNCs and also in fixed income securities of a foreign country. In the case of domestic mutual fund, money is invested in stocks of domestic firms and MNCs.

The major difference between domestic and offshore mutual fund is that in the latter, the investors of abroad have to face many regulation issues in the investing countries.

Because of high risk, higher returns are also expected in case of offshore mutual funds.

Money Market Mutual Fund

A money market mutual fund is a type of mutual fund that invests in high quality and short-term debt instruments such as cash and cash equivalents.

RBI introduced a scheme of MMMF in India in April, 1992. Money market securities have an average maturity of one-year, that is why these are termed as money market instruments. The objective behind this scheme was to provide an additional short term avenue to the individual investors.

Mutual Funds in India

The first Indian Mutual Fund was setup in 1963, when the Government of India created the Unit Trust of India (UTI). Until 1987, UTI enjoyed a monopoly in the Indian mutual fund market and sold a range of mutual funds through a network of financial intermediaries.

At the end of 1988, UTI had ₹ 6,700 crore of assets under management. In 1993, with the creation of SEBI and better regulation, transparency and liberalisation of capital markets (which included the creation of the NSE and the NSDL), the private sector was allowed to enter the mutual fund industry.

Mutual Fund Regulations

The erstwhile Unit Trust of India (UTI) was setup by the Reserve Bank of India in 1963 and it functioned under its regulatory and administrative control till 1978, the Industrial Development Bank of India (IDBI) took over regulatory and administrative control of the UTI thereafter.

The Government of India enacted the Securities and Exchange Board of India Act, 1992 on 4th April, 1992 which created the Securities and Exchange Board of India (SEBI).

SEBI issued a comprehensive set of regulations in 1993 and revised them again in 1996.

Net Asset Value

Net Asset Value (NAV) is the value of an entity's assets minus the value of its liabilities often in relation to open-end or mutual funds.

It is the market value of all securities held by the Mutual Fund Scheme. NAV may represent the value of the total equity or it may be divided by the number of shares outstanding held by investors and thereby, represent the net asset value per share. Net Asset Value is the price used for all Mutual Fund Share transactions, which includes new purchases, sales and exchange from one fund to another within the same fund family. It is calculated on daily basis.



QUESTION BANK

1. Money is an object or record that is generally accepted as payment for
 - (a) goods
 - (b) services
 - (c) gold
 - (d) Both (a) and (b)
 - (e) All of these
2. Which of the following is/are metallic money?
 - (a) Standard money
 - (b) Token money
 - (c) Subsidiary money
 - (d) All of these
 - (e) None of these
3. Indian ₹ 1 coin is [IBPS 2012]
 - (a) Standard money
 - (b) Subsidiary money
 - (c) Token money
 - (d) Adjacent money
 - (e) Limited legal tender money
4. Paper money which circulates on authority of the government is
 - (a) Representative money
 - (b) Fiat money
 - (c) Token money
 - (d) Subsidiary money
 - (e) Non-legal tender money
5. Fiat money is created and issued by [IBPS 2013]
 - (a) Private Bank
 - (b) RBI
 - (c) State Government
 - (d) Company
 - (e) Financial Institutions
6. It is not exact money, but near to money.
 - (a) Fiat money
 - (b) Adjacent money
 - (c) Subsidiary money
 - (d) Token money
 - (e) Standard money
7. Who is the final authority for deciding the design, form and material of bank notes?
 - (a) Central Government
 - (b) Reserve Bank of India
 - (c) Indian Banks Association
 - (d) Note Issuing Authority of India
 - (e) None of the Above
8. The approved assets against which currency notes are issued by RBI comprise of
 - (a) gold coin, bullion and rupee coin
 - (b) foreign securities and Government of India rupee securities of any maturity
 - (c) bills of exchange and promissory notes payable in India which are eligible for purchases by RBI
 - (d) All of the above
 - (e) None of the above
9. The term 'Currency of India' refers to
 - (a) one rupee notes and coins
 - (b) bank notes issued by Reserve Bank of India viz., ₹ 2, ₹ 5, ₹ 10, ₹ 20, ₹ 50, ₹ 100 and for other higher denominations
 - (c) one rupee notes and coins and bank notes issued by Reserve Bank of India
 - (d) one rupee notes only
 - (e) None of the above

- 10.** The note-issue system in India is based on
 (a) Gold Deposit System
 (b) Minimum Reserve System
 (c) Proportional Reserve System
 (d) Simple Deposit System
 (e) None of the above
- 11.** The monetary authority in India, i.e., Reserve Bank of India, is bound to maintain a reserve against the notes issued, whatever may be the amount. This system is called as
 (a) Minimum Reserve System
 (b) Proportional Reserve System
 (c) Maximum Fiduciary Issue System
 (d) Simple Deposit System
 (e) None of the above
- 12.** The Indian rupee is a
 (a) token coin (b) standard token coin
 (c) standard coin (d) gold coin
 (e) None of these
- 13.** The currency notes are issued by the Reserve Bank of India under the signature of
 (a) Executive Director (b) Deputy Governor
 (c) Governor (d) Secretary
 (e) None of these
- 14.** Which of the following is the sole authority for issue of currency in India?
 (a) Government of India
 (b) Reserve Bank of India
 (c) Controller of Currency
 (d) All of the above
 (e) None of the above
- 15.** The minting of coins in India comes under the
 (a) Coinage Act, 1906
 (b) Reserve Bank of India Act, 1934
 (c) Banking Regulation Act, 1949
 (d) Currency Act, 1902
 (e) None of the above
- 16.** Rupee coins are the legal tender in India under the provisions of
 [IBPS RRB Main 2017]
 (a) Indian Coinage Act, 1906
 (b) Reserve Bank of India Act, 1934
 (c) Negotiable Instruments Act, 1881
 (d) Banking Regulation Act, 1949
 (e) None of the above
- 17.** In India, the system of decimal coinage was introduced on ... [IBPS RRB Main 2017]
 (a) 26th January, 1949 (b) 1st April, 1957
 (c) 15th August, 1957 (d) All of these
 (e) None of these
- 18.** intervenes in markets to maintain the external value of the Indian rupee.
 [IBPS Clerk 2015]
 (a) Exporters (b) Importers
 (c) RBI (d) SBI
 (e) None of these
- 19.** Security Printing and Minting Corporation of India Limited (SPMCIL) has four mints in India. These four government mints are situated in [RBI Grade B 2015]
 (a) Mumbai, Dewas, Hoshangabad and Mysore
 (b) Mumbai, Nasik, Mysore and Ghaziabad
 (c) Mumbai, New Delhi, Nasik and Gurgaon
 (d) Mumbai, Pune, Nasik and Hoshangabad
 (e) Mumbai, Kolkata, Hyderabad and Noida
- 20.** One rupee note bears the signature of [SBI Clerk 2015]
 (a) President of India
 (b) Vice-President of India
 (c) Finance Secretary
 (d) Finance Minister
 (e) Commerce Minister
- 21.** Coin of which of the following denominations is called Small Coin?
 [RBI Assistant 2012]
 (a) ₹ 1 (b) ₹ 2
 (c) ₹ 5 (d) 50 paise
 (e) ₹ 10
- 22.** Rupee coins are the legal tender in India under the provisions of [IBPS PO 2011]
 (a) Reserve Bank of India Act, 1934
 (b) Negotiable Instruments Act, 1881
 (c) Banking Regulation Act, 1949
 (d) Indian Coinage Act, 1906
 (e) None of the above
- 23.** The RBI introduced a fluorescent blue ₹ 50 note, with an incredible motif on reverse side as a nod to India's syncretic past. [SBI 2018]
 (a) Temple (b) Star
 (c) Hampi (d) Sun
 (e) Moon

- 24.** What is the dimension of ₹ 10 (new currency note)? [IBPS 2018]
 (a) 123 mm × 63 mm (b) 142 mm × 66 mm
 (c) 150 mm × 66 cm (d) 150 mm × 63 mm
 (e) 200 mm × 66 mm
- 25.** RBI introduced a Lavender ₹ 100 with an on reverse side.
 (a) Rani ka Vav (b) Sanchi Stupa
 (c) Red Fort (d) Tractor
 (e) Mangalyaan
- 26.** What is the main colour of ₹ 500 new currency note?
 (a) Black (b) Brown
 (c) Cyan (d) Magenta
 (e) Stone grey
- 27.** PM Narendra Modi has demonetised and notes from 9 November, 2016, similar banknotes demonetisation have been taken in the past. [IBPS 2017]
 (a) ₹ 100, ₹ 500 (b) ₹ 500, ₹ 1000
 (c) ₹ 100, ₹ 1000 (d) ₹ 50, ₹ 100
 (e) ₹ 5, ₹ 500
- 28.** RBI calculates various concepts of money supply. M_2 means
 (a) M_3 + Office Saving of Bank
 (b) M_3 + M_1 + Office Saving of Bank
 (c) M_1 + Post Office Saving Bank
 (d) All of the above
 (e) None of the above
- 29.** The decreasing order of liquidity of monetary aggregates is
 (a) $M_0 > M_1 > M_2 > M_3$
 (b) $M_0 < M_1 < M_2 < M_3$
 (c) $M_0 > M_1 < M_2 > M_3$
 (d) $M_0 < M_1 > M_2 > M_3$
 (e) $M_0 < M_1 > M_2 > M_3$
- 30.** Which is not a component of Indian Financial Market?
 (a) Derivatives Market
 (b) Insurance Market
 (c) Money Market
 (d) Foreign Exchange Market
 (e) General Market
- 31.** Money market instruments
 (a) are usually sold in large denominations
 (b) have low default risk
 (c) mature in one year or less
 (d) characterised by all of the above
 (e) are characterised by (a) and (b)
- 32.** Which of the following is not a money market instrument?
 (a) Treasury Bills
 (b) Commercial Paper
 (c) Certificates of Deposit
 (d) Equity Share
 (e) None of the above
- 33.** Which of the following is not money market instrument? [SBI PO 2016]
 (a) Treasury Bills (b) Certificates of Deposit
 (c) Commercial Bill (d) Promissory Note
 (e) Gilt Edged Bill
- 34.** The segment of money market which pertains day-to-day funds requirements of the bank, is known as [SBI Grade B 2015]
 (a) Call Money Market
 (b) Capital Market
 (c) Mutual Fund Market
 (d) Equity Funds Market
 (e) Index Funds Market
- 35.** Inter-bank call money market is not exclusively used by
 (a) Large corporations
 (b) Insurance companies
 (c) Financial institutions
 (d) Banks
 (e) None of the above
- 36.** What is the minimum denomination amount for a commercial paper?
 (a) 5 lakh (b) 10 lakh
 (c) 25 lakh (d) 15 lakh
 (e) None of these
- 37.** What is the maximum denomination for a commercial paper?
 (a) 5 lakh (b) 10 lakh
 (c) 25 lakh (d) No ceiling
 (e) None of these
- 38.** Commercial Paper (CP) is an unsecured money market instrument issued in the form of a promissory note. Commercial paper can be used in denominations of [SBI PO 2014]
 (a) ₹ 1 lakh or multiples thereof
 (b) ₹ 2 lakh or multiples thereof
 (c) ₹ 3 lakh or multiples thereof
 (d) ₹ 5 lakh or multiples thereof
 (e) ₹ 10 lakh or multiples thereof

- 39.** Maximum period for which a commercial paper can be issued is
 (a) 3 months (b) 6 months
 (c) 1 year (d) 2 years
 (e) None of these
- 40.** Which of the following cannot issue a Commercial Paper?
 (a) Companies
 (b) Primary Dealers
 (c) Commercial Banks
 (d) All Indian Financial Institution
 (e) None of the above
- 41.** Commercial bills market is a part of
 (a) organised money market
 (b) unorganised money market
 (c) stock market
 (d) capital market
 (e) None of the above
- 42.** Interest is usually paid on money market instruments
 (a) at maturity
 (b) on request
 (c) twice a year
 (d) annually
 (e) All of the above
- 43.** Commercial paper can be issued
 (a) by all corporates
 (b) by all corporates with net worth of at least ₹ 10 crore
 (c) by all corporates with net worth of at least ₹ 5 crore
 (d) can be issued only by banks
 (e) All of the above
- 44.** Who issues treasury bills?
 (a) Reserve Bank of India, as the agent of the Central Government
 (b) Any government department of State and Central
 (c) Any commercial bank
 (d) All of the above
 (e) None of the above
- 45.** T-Bills are financial instruments initially sold by to raise funds.
 (a) commercial banks
 (b) the government
 (c) corporations
 (d) agencies of the state government
 (e) None of the above
- 46.** Money lent for 15 days or more in Inter-bank market is called
 (a) call money (b) notice money
 (c) term money (d) All of these
 (e) None of these
- 47.** Money lent for one day is called
 (a) call money (b) notice money
 (c) term money (d) All of these
 (e) None of these
- 48.** The Treasury Bills are issued at a
 (a) discount (b) premium
 (c) Both (a) and (b) (d) face value
 (e) None of these
- 49.** The Certificates of Deposit (CD) is a negotiable money market instrument and issued in the form of [SBI Clerk 2018]
 (a) Derivative Usance Promissory Note
 (b) Usance Promissory Note
 (c) Demand Promissory Note
 (d) Both (a) and (b)
 (e) None of the above
- 50.** The maturity period of a Cash Management Bill can be
 (a) less than 364 days
 (b) less than 182 days
 (c) less than 91 days
 (d) any period at discretion of the government
 (e) None of the above
- 51.** Consider the following pairs (Financial Instruments).
 I. Call Money – Money lent for 1 day.
 II. Notice Money – Money sent for a period exceeding 1 day.
 III. Term Money – Money lent for 15 days or more in interbank market.
 Choose the correct option.
 (a) I and II (b) II and III
 (c) I, II and III (d) I and III
 (e) Only III
- 52.** Interest is calculated on actual/365 days basis, respect of the following products, except one
 (a) Call money
 (b) Notice money
 (c) Term money
 (d) Government of India dard securities
 (e) None of the above

- 53.** The money market in India consists of two sectors, namely the organised and the unorganised. Which of the following do not fall under organised sector?
 (a) RBI, Commercial Banks and SBI
 (b) LIC and GIC
 (c) Unit Trust of India
 (d) Indigenous Banks
 (e) None of the above
- 54.** Which of the following statements about the money market is/are true?
 (a) Not all Commercial Banks deal for their customers in the secondary market
 (b) Money markets are used extensively by businesses both to warehouse surplus funds and to raise short term funds
 (c) The single most influential participant in the US money market is the US Treasury Department
 (d) All of the above
 (e) Both (a) and (b)
- 55.** Mutual funds can be considered as
 (a) financial insurance
 (b) financial intermediaries
 (c) cheque
 (d) draft
 (e) All of the above
- 56.** The first Indian Mutual Fund was setup in
 (a) 1950 (b) 1953 (c) 1963 (d) 1983
 (e) 1993
- 57.** Which of the following invest on behalf of the investors?
 (a) Mutual Fund (b) Depository System
 (c) IRDAI (d) Bancassurance
 (e) SEBI
- 58.** In case of Close-Ended schemes, new investors can buy the units only from
 (a) Primary market
 (b) Secondary market
 (c) Bond market
 (d) Shares market
 (e) Financial market
- 59.** In a mutual fund, investors' subscriptions are accounted for as [IBPS RRB Main 2017]
 (a) Liabilities (b) Deposits
 (c) Unit Capital (d) Assets
 (e) None of these
- 60.** Unit capital of open ended funds can fluctuate on
 (a) monthly basis (b) yearly basis
 (c) daily basis (d) quarterly basis
 (e) half yearly basis
- 61.** NAV is normally used in respect of schemes floated by [SBI Clerk 2011]
 (a) Banks
 (b) Mutual funds
 (c) Insurance companies
 (d) Merchant banker
 (e) None of these
- 62.** Shareholders purchase and sell a fund at the fund's Net Asset Value (NAV), which is calculated daily. NAV is the price used for all Mutual Fund Share transactions which include
 (a) New purchases [IBPS RRB Main 2017]
 (b) Sales (redemptions)
 (c) Exchanges from one fund to another within the same fund family
 (d) Both (a) and (b)
 (e) All of the above

Answers

1. (e)	2. (d)	3. (c)	4. (b)	5. (b)	6. (b)	7. (a)	8. (d)	9. (a)	10. (b)
11. (a)	12. (b)	13. (c)	14. (b)	15. (a)	16. (a)	17. (b)	18. (c)	19. (e)	20. (c)
21. (d)	22. (d)	23. (c)	24. (a)	25. (a)	26. (e)	27. (b)	28. (c)	29. (a)	30. (e)
31. (d)	32. (d)	33. (c)	34. (a)	35. (d)	36. (a)	37. (d)	38. (d)	39. (c)	40. (c)
41. (a)	42. (a)	43. (c)	44. (a)	45. (b)	46. (c)	47. (a)	48. (a)	49. (b)	50. (c)
51. (c)	52. (d)	53. (d)	54. (e)	55. (b)	56. (c)	57. (a)	58. (b)	59. (c)	60. (c)
61. (b)	62. (e)								

CAPITAL MARKET

Capital market is one of the most important segments of the Indian financial system. It is the market available to the companies for meeting their requirements for the long term funds. It refers to all the facilities and the institutional arrangements for borrowing and lending funds.

An instrument of capital market is characterised by high liquidity, marketability and long maturity and liquidity premium.

Indian Capital Market

The capital market in India is a market for securities, where companies and government can raise long term funds. It is a market designed for the selling and buying of stocks and bonds.

In general, it is broadly divided into the gilt edged market and the industrial securities market. Gilt edged market refers to the market for Government and Semi-government securities, backed by the RBI. Industrial securities market encompasses equities and debentures of the corporation.

It is further divided into two parts

1. Primary Market

Primary market (new issues market) deals with **new securities**, i.e., securities which were not previously available and are offered to the investing public for the first time. It creates long term instruments through which corporate entities raise funds from the capital market.

It provides the issuing company with additional funds for starting a new enterprise or for either expansion or diversification of an existing one and thus, its contribution to company financing is direct. The new offerings by the companies are made either as an Initial Public Offering (IPO) or rights issue.

Initial Public Offering (IPO) or Stock Market Launch is a type of public offering where shares of stock in a company are sold to the general public, on a securities exchange for the first time. Through this process, a private company transforms into a public company. An Electronic Initial Public Offers (E-IPO) allows investors to bid for shares through internet. SEBI since 2015 is promoting E-IPO in India. It is expected to help eliminate printing of application form, reducing the overall cost of public issuance and support companies in reaching more retail investors in small towns.

2. Secondary Market

Secondary market/Stock market (Old issues market or Stock exchange) is the market for buying and selling securities of the existing companies. Under this, securities are traded after being initially offered to the public in the primary market and/or listed on the stock exchange.

The stock exchanges are the exclusive centres for trading of securities. Security market is an economic institute within which the sale and

purchase transactions of securities take place between the subjects of economy on the basis of demand and supply.

Capital Market Instruments

Bond Market

It is defined as the market in which the issuance and trading of debt securities occur. The bond market primarily includes government issued securities and corporate debt securities.

It facilitates the transfer of capital from servers to the issuers or organisations requiring capital for government projects, business expansions and ongoing operations. There are two major sources of raising external finance used by the companies' bonds and debentures.

Types of Bond Market

The Securities Industry and Financial Markets Association (SIFMA) classified the bond market into five specified bond markets.

They are

- (i) Corporate (ii) Government and agency
- (iii) Municipal (iv) Mortgage backed
- (v) Fund

Bond Market Participants

These participants are similar to participants in most financial markets.

- (i) Institutional investors
- (ii) Governments
- (iii) Traders
- (iv) Individuals

Some Important Bonds

1. **Corporate Bond** It is a bond issued by a corporation in order to raise capital for its activities. It gives the holder the right to exchange the bond for a specified number of the company's common shares.
2. **Electoral Bond** The Government of India has notified Electoral Bond in 2018. An electoral bond is like a promissory note that can be bought by any Indian citizen or company incorporated in India from SBI.

The corporate and citizen can then donate the same to any eligible political party of his/her choice. It shall be valid for 15 days from the date of issue.

3. **Government Bond** It is a sovereign instrument with a fixed coupon (payable on a specified date or half yearly) issued by Reserve Bank for market borrowing programme of the government of India. Government securities with term of more than 1 year are called government bonds.
4. **Green Bond** A green bond is a type of fixed-income instrument that is specifically earmarked to raise money for climate and environmental projects. It comes with tax incentives such as tax exemption and credits making them a more attractive investment compared to a comparable taxable bonds. They promote sustainable environmental projects. Such projects could be for renewable energy, clean transportation and sustainable water management. Yes Bank was the first bank to come out with issue of a Green Bond in 2015.
5. **Masala Bond** It is a bond issued outside India but denominated in Indian Rupees, rather than the local currency. By issuing bonds in rupees, an Indian company is shielded against the risk of currency fluctuation, typically associated with borrowing in foreign currency. Indian companies were permitted to sell Masala Bond in 2015 by then Finance Minister, Arun Jaitley.

In 2013, the first masala bonds were issued by the **International Finance Corporation** (IFC), an arm of the World Bank. It was named as such to highlight the great Indian culture and cuisine.
6. **Zero Coupon Bond** It is a bond issued at a price less than its face value and payable on its due at its face value bearing no rate of interest. It does not make periodic interest payments and when the bond reaches to maturity, its investor receive its par value.

Stock Market

An equity market or stock market or share market is the aggregation of buyers and sellers (a loose network of economic transactions, not a physical facility or discrete entity) of stocks (shares). These are securities listed on stock exchange as well as those only traded privately.

Share

A share is one unit into which the total share capital is divided. Share capital of the company can be explained as a fund or sum with which a company is formed to carry on the business and which is raised by the issue of shares.

Shares are the marketable instruments issued by the companies in order to raise the required capital. These are very popular investments which are traded everyday in the stock market and the value of the share at the end of the day decides the value of the firm.

Types of Share

The share which is issued by company is of two types

1. **Equity Share** These shares are issued and are traded everyday in the stock market. An equity share is also commonly referred as security receipt. Equity shareholders only get dividend after preference shareholders and debenture holders. The returns on the equity shares are not at all fixed.

It depends on the amount of profits made by the company. The decision regarding distribution of dividends among equity shareholder is usually divided by the Board of Directors of the company. Shareholders can accept to it or reject the offer during the annual general meeting. Equity shareholders have the right to vote on any resolution placed before the company.

2. **Preference Share** The preference shares are market instrument issued by the companies to raise capital. Preference shares have characteristics of both equity shares and debentures. Fixed rate of dividends is paid to

the preference shareholder as in case of debentures, irrespective of the profits earned company is liable to pay interest to preference shareholders.

Debentures

Debentures are a debt instrument used by companies and government to issue the loan based on their reputation at a fixed rate of interest. They are also known as Bonds. Since debentures have no collateral backing, they must rely on the credit worthiness and reputation of the issuer for support. They are negotiable instruments. A debenture is an instrument executed by the company under its common seal, acknowledging indebtedness to some person or persons to secure the sum in advance.

Debentures are usually secured by the company by fixed or floating debentures at periodical intervals, generally 6 months and the company agrees to pay the principal amount at the expiry of the stipulated period according to their terms of issue. Like shares, they are issued to the public at par, at a premium or at a discount.

Debenture holders are creditors of the company. They have no voting rights, but their claims rank prior to preference shareholders and equity shareholders. Their exact rights depend upon the nature of debentures they hold.

Advantages of Debentures

- Investors consider debentures as relatively less risky investment alternative and therefore, require a lower rate of return.
- Interest payments are tax deductible. The floatation costs on debentures is usually lower than floatation costs on common shares.
- Debenture holders do not have voting rights and therefore, debenture issue does not cause dilution of ownership.
- Debenture holders do not participate in extraordinary earnings of the company. Thus, their payments are limited to interest.
- During period of high inflation, debenture issue benefits of the company. Its obligation of paying interest and principal, which remain fixed, decline in real terms.

Types of Debentures

On the Basis of Record Point of View

1. **Registered Debentures** These are the debentures that are registered with the company. The amount of such debentures is payable only to those debenture holders, whose name appears in the register of the company.
2. **Bearer Debentures** These are the debentures which are not recorded in a register of the company. Such debentures are transferable merely by delivery. Holder of bearer debentures is entitled to get the interest.

On the Basis of Security

1. **Secured or Mortgage Debentures** These are the debentures that are secured by a charge on the assets of the company. These are also called mortgage debentures. The holders of secured debentures have the right to recover their principal amount with the unpaid amount of interest on such debentures, out of the assets mortgaged by the company.
2. **Unsecured Debentures** Debentures which do not carry any security with regard to the principal amount or unpaid interest are unsecured debentures. These are also called simple debentures.

On the Basis of Redemption

1. **Redeemable Debentures** These are the debentures which are issued for a fixed period. The principal amount of such debentures is paid off to the holders on the expiry of such period. These debentures can be redeemed by annual drawings or by purchasing from the open market.
2. **Non-Redeemable Debentures** These are the debentures which are not redeemed in the life time of the company. Such debentures are paid back only when the company goes to liquidation.

On the Basis of Convertibility

1. **Convertible Debentures** These are the debentures that can be converted into shares of the company on the expiry of pre-decided

period. The terms and conditions of conversion are generally announced at the time of issue of debentures.

2. **Non-Convertible Debentures** The holders of such debentures cannot convert their debentures into the shares of the company.

On the Basis of Priority

1. **First Debentures** These debentures are redeemed before other debentures.
2. **Second Debentures** These debentures are redeemed after redemption of first debentures.

Terms Related to Stock Market

- **Bull and Bear** A bull market is a period of generally rising prices. A bear market is a general decline in the stock market.
- **Penny Stock** They are common shares of small public companies that trade at low price per share.
- **Badla** It was an indigenous carry forward system invented on the Bombay Stock Exchange (BSE) as a solution to the perpetual lock of liquidity in the secondary market. It was banned by SEBI in 1994.

Stock Exchanges in India

Bombay Stock Exchange (BSE), the oldest stock exchange in Asia, was established in 1875. It is synonymous with Dalal Street. BSE was corporatised and renamed BSE Limited in 2005.

In 1894, the Ahmedabad Stock Exchange was started to facilitate dealing in the shares of textile mills. In 1908, Calcutta Stock Exchange was started to facilitate market for shares of plantations and jute mills. As on 31 July, 2021, there are 25 stock exchanges in the country (including inactive stock exchanges).

List of Approved Stock Exchanges in India

- (i) UP Stock Exchange, Kanpur
- (ii) Vadodra Stock Exchange, Vadodara
- (iii) Coimbatore Stock Exchange, Coimbatore
- (iv) Bombay Stock Exchange, Mumbai*
- (v) Over The Counter Exchange of India, Mumbai

- (vi) National Stock Exchange, Mumbai*
- (vii) Ahmedabad Stock Exchange, Ahmedabad
- (viii) Bangalore Stock Exchange, Bengaluru
- (ix) Bhubaneshwar Stock Exchange, Bhubaneshwar
- (x) Calcutta Stock Exchange, Kolkata*
- (xi) Cochin Stock Exchange, Cochin
- (xii) Delhi Stock Exchange, Delhi
- (xiii) NSE IFSC Ltd., Gandhi Nagar*
- (xiv) Metropolitan Stock Exchange of India Ltd, Mumbai*
- (xv) India INX, Gandhi Nagar*
- (xvi) Saurashtra Kutch Stock Exchange, Gujarat
- (xvii) Mangalore Stock Exchange, Mangalore
- (xviii) Guwahati Stock Exchange, Guwahati
- (xix) Hyderabad Stock Exchange, Hyderabad
- (xx) Jaipur Stock Exchange, Jaipur
- (xxi) Ludhiana Stock Exchange, Ludhiana
- (xxii) Madras Stock Exchange, Chennai
- (xxiii) MP Stock Exchange, Indore
- (xxiv) Pune Stock Exchange, Pune
- (xxv) Interconnected Stock Exchange of India Limited, Mumbai.

(* Active Stock Exchange)

Commodity Exchanges

A commodity exchange is a legal entity that determines and enforces rules and procedures for trading standardised commodity contracts and related investment products. Forward Market Commission (Established in 1953) regulated the commodity market in India, however in 2015, it was merged with Security and Exchange Board of India (SEBI).

- Multi Commodity Exchange (MCX) of India Limited, Mumbai*
- National Commodity and Derivatives Exchange (NCDEX) Limited, Mumbai*
- Indian National Multi-Commodity Exchange (NMCE)
- Indian Commodity Exchange (ICEX) Limited, Navi Mumbai*

(* Active Commodity Exchanges)

Some Important Stock Exchanges of India

National Stock Exchange (NSE)

NSE was promoted by leading financial institutions at the behest of the Government of India and was incorporated in November, 1992 as a tax-paying company unlike other stock exchanges in the country.

On the basis of the recommendations of high powered **Pherwani Committee**, the National Stock Exchange was incorporated in November, 1992.

Indices of NSE

- S and P CNX Nifty (NSE-50, renamed on July, 1998)
- CNX Nifty Junior
- CNX 100
- S and P CNX 500 (Crisil 500 renamed in July, 1998)
- CNX Midcap
- Nifty Midcap 50
- S and P CNX Defty
- S and P CNX Nifty Dividend
- India VIX

MIBOR and MIBID

The Mumbai Inter Bank Bid Rate (MIBID) and Mumbai Inter Bank Offer Rate (MIBOR) were launched on 15th June, 1998, by the Committee for the Development of Debt Market, as an overnight rate for the Indian banking Sector. MIBID is the rate of interest that a bank would be willing to pay to secure a deposit from the another bank in the Indian Interbank Market. It is the weighted average of all interest rates that the participating banks offer on deposits on a particular day. It is calculated by National Stock Exchange (NSE). MIBOR is the rate at which banks borrow unsecured funds from one another in the inter bank market. As of July, 2020, it is used as a reference rate for floating rate notes, corporate debentures, term deposits, interest rate swaps and forward rate agreements. It is modeled on London Inter Bank Overnight Rate (LIBOR). LIBOR is the benchmark interest rate at which major global banks lend to one another for short term loans.

Global Indices

Index	Country
Hang Seng	Hong Kong
JCI	Indonesia
Nikkei 225	Japan
Kospi	South Korea
Kualalumpur Composite	Malaysia
TSEC Weighted Index	Taiwan
SSE Composite Index	China
SET	Thailand
FTSE 100	London (UK)
NASDAQ Composite Index	US
STOXX	Europe
Dow Jones	US

Note World's largest stock exchange market (as of June, 2021) is New York Stock Exchange. It is followed by Nasdaq Stock Market. Infosys was the first company to be listed on this index.

Bombay Stock Exchange (BSE)

It was established in 1875, BSE Limited (formerly known as Bombay Stock Exchange Limited), is **Asia's first stock exchange** and one of India's leading exchange groups. Over the past 137 years, BSE has facilitated the growth of the Indian corporate sector by providing it an efficient capital raising platform.

Around 5000 companies are listed on BSE, making it world's No.1 exchange in terms of listed members. The New York Stock Exchange is the world's largest stock market in equity market capitalisation.

BSE Limited is world's 5th most active exchange in terms of number of transactions handled through its electronic trading system. It is also one of the world's leading exchange (5th largest in May, 2012) for index options trading (Source-World Federation of Exchanges).

BSE is the first exchange in India and second in the world to obtain an ISO 9001:2000 certification.

It is also the first exchange in the country and second in the world to receive Information Security Management System Standard certification for its BSE Online Trading System, BOLT.

BSE is also known to be the **fastest stock exchange** in the world with the speed of 6 micro seconds (μ s).

Major BSE Indices

SENSEX It is measured by sensory index and at present 30 companies are notified under it.

BSE 500 This new index started operation in the year 1999 by BSE and it is the biggest base index.

National Index 100 companies are there in this index and it is coated by the regional share markets.

BSE 200 It is the share index of 200 biggest base companies. It is also called Dollex as it also depicts the value of the American Dollar.

Indo Next It is established by BSE and Federation of India Stock Exchange (FISE) with the aim of encouraging liquidity among small companies.

India INX India International Exchange (INX) is a wholly owned subsidiary of the BSE. It is India's first international exchange at International Financial Service Centre (IFSC) in GIFT city, Gujarat. It was inaugurated by Indian PM Narendra Modi on 9th January, 2017.

BSE-GREENEX

Bombay Stock Exchange on 22nd February, 2012 has launched a new index called 'BSE- GREENEX' which measures the performance of the company's interims of Carbon Emissions. It helps investors in assessing risk and opportunities associated with climate change. The top-ranking companies from each sector like power, steel, cement have made it to the new index called BSE-GREENEX.

GREENEX has 20 companies from the broader BSE 100 index that meet energy efficiency norms, allowing investors to derive benefit from the related cost savings.

MCX-SX Stock Exchange

It is a private stock exchange headquartered in Mumbai, which was founded in 2008. With starting business of MCX-SX Stock Exchange on 11th February, 2013 in India, a new share market also started as well. After BSE and NSE, this is the third complete share market in the country. It offers currency future contracts for US Dollar-Rupee,

Euro-Rupee, British Pound-Rupee and Japanese Yen-Rupee. It offers electronic trading platform in currency futures contracts. The exchange received permissions to deal in interest rate derivatives, equity, futures and options on equity and wholesale debt segment, (SEBI's letter dated on 10th July, 2012).

OTC Exchange of India

Over the Counter Exchange of India (OTCEI) was incorporated in 1990, as a company under the Companies Act, 1956 and is recognised as a stock exchange under the Securities Contracts Regulation Act, 1956.

The exchange was set-up to aid enterprising promoters in raising finance for new projects in a cost effective manner and to provide investors with a transparent and efficient mode of trading.

The OTCEI is no longer a function exchange as the same has been de-recognised by SEBI order dated 31st March, 2015.

TReDS Exchange

- Receivables Exchange of India Ltd (RXIL) was incorporated on 25th February, 2016 as a joint venture between SIDBI and NSE. The RXIL operates the Trade Receivables Discounting System (TReDS) platform.
- The RXIL is the first entity to receive the approval from RBI on 1st December, 2016 to launch India's first TReDS exchange.
- TReDS is an electronic platform for financing trade receivables.
- It facilitates the discounting of both invoices as well as bills of exchange.

Securities Exchange Board of India (SEBI)

The regulatory authority under the SEBI Act, 1992 was established on **12 April, 1992** in order to protect the interests of the investors in securities as well as to promote the development of the capital market.

SEBI has its headquarters at **Mumbai** and its regional offices are in New Delhi, Kolkata, Chennai and Ahmedabad, respectively.

It involves regulating the business in stock exchanges supervising the working of stock brokers, share transfer agents, merchant bankers, underwriters, etc., as well as prohibiting unfair trade practices in the securities market.

Functions of SEBI

- To regulate the business of the stock market and other securities market.
- To promote and regulate the self-regulatory organisations.
- To prohibit fraudulent and unfair trade practices in securities market.
- To promote awareness among investors and training of intermediaries about safety of market.
- To prohibit insider trading in securities market.
- To regulate huge acquisition of shares and take over of companies.

SEBI's Guidelines in 1999

The SEBI had issued guidelines in 1999 (referred to as ESOP Guidelines) to provide a regulatory framework for the listed companies to implement security based compensation schemes.

SEBI (Amendment) Act, 2014

In August 2014, the Securities Laws (Amendment) Act, 2014, gave SEBI additional powers, including to order the arrest of violators and seek call data records of individuals under investigation.

The new law gave SEBI the powers to search and obtain information, including call records, about any suspected entity from within or outside the firm.

The main objectives of SEBI Amendment Act, 2014 are as follow

- To empower SEBI to seek permission for search and seizure from a designated Court/Magistrate in Mumbai.
- Excessive delegation of power to SEBI with regard to Collective Investment Schemes.
- To empower disgorgement (repayment) i.e., amount of profit made or the loss averted in the said fraudulent transaction.

- Securities Appellate Tribunal's (SAT's) power with regard to settlement proceedings.
- A set of new provisions in the form of Section 26(A) to 26(E) has been inserted by the Act, which provides for the establishment of Special Courts for speedy trial of all offences committed under the SEBI Act.
- Rationalising the penalties that can be imposed under the Act.

Derivatives

A Derivative is a contract between two or more parties whose value is based on an agreed-upon underlying financial assets. Common underlying instruments include bonds, commodities, currencies, interest rates, market indexes and stocks. A class of derivative whose value is atleast partly derived from one or more underlying stock exchange securities is called Stock Derivative.

Credit Rating

It is a company that assigns credit ratings to institutions that issue debt obligations i.e., assets backed by receivables on loans, such as **mortgage backed securities**.

These institutions can be companies, cities, non-profit organisations or national governments and the securities they issue can be traded on a secondary market. As on July, 2021 there are four prominent RBI recognised credit rating agencies in India. They are

- Credit Rating Information Services of India (CRISIL)
- Investment Information and Credit Rating Agencies of India (CRAI)
- Credit Analysis and Research (CART)
- Duff Falps Credit Rating India Private Limited (DCR India)

Some Important Credit Agencies

Credit Rating Information Services of India Limited (CRISIL) It is a global analytical company providing ratings, research, risk and policy advisory services. It is a subsidiary of Standard and Poor (S&P) Global. It was the first credit rating agency of India, introduced in 1988 by ICICI and

UTI jointly with share capital coming from SBI, LIC and United India Insurance Company.

Headquarter of CRISIL is in Mumbai. CRISIL ratings has rated/assessed over 61,000 entities in India.

Note For issuing a commercial paper, a company should have credit rating of A₂ from any of the credit rating agencies notified by the RBI.

Investment Information and Credit Rating Agency (ICRA) It is an Indian independent and professional investment information and credit rating agency. It was established in 1991 and was originally named Investment Information and Credit Rating Agency of India Limited (IICRA, India). It is second largest Indian rating company in terms of customer base.

It was a joint venture between Moody's and various Indian commercial banks and financial services companies. Headquarter of ICRA is in Gurugram.

Credit Analysis and Research Ltd. (CARE) CARE ratings commenced operations in April, 1993 and over two decades, it has established itself as the second largest credit agency in India. CARE ratings has also emerged as the leading agency for covering many rating segments like that for banks, sub-sovereigns and IPO gradings.

Futures Market

A futures market is an auction market in which participants buy and sell commodity and future contracts for delivery on a specified future date. Examples of future markets are the New York Mercantile Exchange, the Kansas City Board of Trade, the Chicago Mercantile Exchange, the Chicago Board of Options Exchange and the Minneapolis Grain Exchange.

Merging of SEBI and Future Market Commission

The regulator of Commodity Market in India, Forward Market Commission was merged with SEBI on 28th September, 2015. With this merger SEBI became the single regulator of capital and commodity market in India. The main objectives of this merger was to develop trust in the commodities market and its development.

Future Trading of Foreign Currency

It is a type of future contract in which currency is exchanged for another at a fixed exchange rate on a specific date in the future. As the value of the contract is based on the underlying currency exchange rate, currency futures are considered a financial derivative. Apart from this, India has Inter Continental Exchange (ICE) regional exchanges. All these commodity exchanges are overseen by Forward Market Commission (FMC), which was setup in 1953.

Reference Rate

A reference rate is an accurate measure of the market price. In the fixed income market, it is an interest rate that the market respects and closely watches. It plays a useful role in a variety of situations.

Depository System

‘A depository is a file or a set of files in which data is stored for the purpose of safe keeping or identity authentication’.

In India, the Depositories Act, 1996 defines a depository as ‘A company formed and registered under the Companies Act, 1956 and which has been granted a certificate of registration under Sub-Section (1A) of Section 12 of the Securities and Exchanges Board of India Act, 1992’.

Types of Depository System

The two types are as follow

1. **Securities Immobilisation System of Depository** Under this system, certificates of securities are securely deposited in the depository and its complete detail is taken into a computer. Once some certificate is taken into a computer, then the total business related to them can be done only through electronic accounting system unless the securities are taken out from the depository.
2. **Securities De-materialisation System of Depository** De-materialisation is the process

by which a client can get physical certificates converted into electronic balances. An investor intending to de-materialise its securities needs to have an account with a Depository Participant (DP).

The client has to deface and surrender the certificates registered in its name to the DP. After intimating NSDL electronically, the DP sends the securities to the concerned Issuer / R&T agent.

Depository System in India

Depository system in India was introduced in 1996 with the enactment of Depositories Act, 1996. It was initiated in July, 1992 by the Stock Holding Corporation of India Limited (SHCIL).

R. Chandrashekharan, MD-SHCIL, had submitted its report to the Government of India on December, 1993 recommending a Depository System in India. The main objectives of the recommendation of the depository system were

- Maintenance of accounts.
- To keep transfer (of funds) in electronic accounts.
- To enable trade possible without the certificate so that there is no risk in the trade.

Under the Depository Act, 1996, SEBI registered two companies namely

1. National Security Depository Ltd (NSDL)
2. Central Depository Services India Ltd (CSDL)

The necessity of the certificates was abolished by registering the shares through depository into electronic accounts. This process is known as De-materialisation of shares.

1. **NSDL** was registered by SEBI on 7th June, 1996 as India's first depository to facilitate trading and settlement of securities in the demat form. It is promoted by DIBI, UTI and NSE.
2. **CSDL** commenced its operations during February, 1999 and was promoted by Stock Exchange, Mumbai in association with Bank of Baroda, Bank of India, SBI and HDFC Bank.



QUESTION BANK

1. Which one of the following is not a capital market instrument?
(a) Share (b) Debentures
(c) T-Bill (d) Bonds
(e) Both (b) and (d)
2. Capital Market is the market available to the companies for meeting their requirements of the term funds.
(a) Long (b) Short
(c) Medium (d) All of these
(e) None of these
3. The gilt-edged market refers to the market for Government and Semi-Government securities, backed by the
(a) SBI (b) UBI (c) RBI (d) IRDAI
(e) BSE
4. Industrial securities market deals in of the corporates.
(a) Equities (b) Debentures
(c) Bill brokers (d) Both (a) and (b)
(e) All of these
5. New issues market is known as
(a) Primary market (b) Secondary market
(c) Bond market (d) Money market
(e) Share market
6. What is P in IPO?
(a) Public (b) Probability
(c) Profit (d) Primary
(e) Power
7. The introduction of e-IPO would
[IBPS Clerk 2015]
(a) help eliminate the printing of application forms
(b) help in reducing the overall cost of public issuance
(c) support companies in reaching more retail investors in small towns
(d) All of the above
(e) None of the above
8. Which of the following is not a component of India's securities market?
(a) Commodity futures [Andhra Bank 2011]
(b) Small savings in national saving certificates
(c) Government bonds
(d) Corporate equity
(e) Derivatives on currency
9. Which of the following statements is true regarding a Corporate Bond?
(a) A corporate convertible bond gives the holder the right to exchange it for a majority of the company's common shares
(b) Corporate debenture is issued by SEBI
(c) A corporate indenture is a secured bond
(d) A corporate convertible bond gives the holder the right to exchange the bond for a specified number of the company's common shares
(e) Holders of corporate bonds have voting rights in the company
10. Which of the following is a characteristic of a capital market instrument?
(a) Liquidity (b) Marketability
(c) Long maturity (d) Liquidity premium
(e) All of these
11. The actual return of an investor is reduced sometimes as the prices of the commodities go up all of a sudden. In financial sector, this type of phenomenon is known as
(a) probability risk (b) market risk
(c) inflation risk (d) credit risk
(e) None of these
12. Specified interest rate on a fixed maturity security fixed at the time of issue is called
(a) market rate of interest
(b) call rate (c) repo rate
(d) coupon rate (e) discount rate
13. The stock exchanges are the exclusive centres for trading of
(a) Credit risk (b) APO
(c) Masala Bond (d) Green Bond
(e) Securities
14. Which of the following is a sovereign instrument with a fixed coupon (payable on a specified date or half yearly) issued by Reserve Bank for market borrowing programme of the government of India?
(a) Fixed deposits [SBI Clerk 2014]
(b) Dated government securities
(c) Debentures
(d) Bonds
(e) Equity shares of PSBs

- 15.** Government securities with term of more than 1 year are called
 (a) government bonds (b) treasury bills
 (c) bills of exchange (d) capital bills
 (e) None of these
- 16.** The Government of India has notified the Electoral Bond Scheme, 2018. It may be noted that Electoral Bond shall be valid for days from the date of issue.
 [IBPS PO 2018]
 (a) 90 (b) 30 (c) 15 (d) 10
 (e) 20
- 17.** A bond issued at a price less than its face value and payable on its due at its face value bearing no Rate of Interest (RoI) is called
 [SBI Clerk 2014]
 (a) Preference Bond (b) Zero Coupon Bond
 (c) Convertible Bond (d) Perpetual Bond
 (e) Sovereign
- 18.** In 2013, the first Masala Bond was issued by
 (a) NSE (b) BSE (c) IFC (d) SBI
 (e) RBI
- 19.** The Government of India has notified electoral bond in
 (a) 2010 (b) 2012 (c) 2014 (d) 2018
 (e) 2021
- 20.** Share market is also known as
 (a) Equity market (b) Capitalist market
 (c) Money market (d) All of these
 (e) None of these
- 21.** Preference share has/have characteristic(s) of
 (a) Equity Share (b) Debentures
 (c) Both (a) and (b) (d) Derivative
 (e) None of these
- 22.** An equity share is also commonly referred to as
 [IBPS PO 2013]
 (a) ordinary share (b) debenture
 (c) convertible share (d) security receipt
 (e) preferred stock
- 23.** Debentures are also known as
 (a) Bonds (b) Securities
 (c) Stocks (d) Bearers
 (e) Debts
- 24.** Which one of the following is correct regarding Debentures?
 (a) They are used by Government as well as private companies
 (b) Debenture holders are creditors of the company.
 (c) Debenture holders have voting rights.
 (d) Both (a) and (b)
 (e) All of the above
- 25.** Which of the following is the negotiable instrument?
 [SBI Clerk 2015]
 (a) Fixed deposit of a bank
 (b) Share certificate issued by a PSU
 (c) Demand draft issued by a bank
 (d) Debenture of a company
 (e) Airway receipt
- 26.** Non-convertible debentures are
 [IBPS PO 2012]
 (a) debt instruments which acquire equity 'status at the issuers' option
 (b) debt instruments which acquire equity status at the investors option
 (c) debt instruments which acquire equity status with the permission of Registrar of Companies
 (d) debt instruments which acquire equity status on maturity
 (e) debt instruments which retain their debt character and cannot acquire equity status
- 27.** First share market in India was established in
 (a) Delhi (b) Mumbai
 (c) Kolkata (d) Chennai
 (e) None of these
- 28.** Which of the following places in India does not have a exchange?
 [SBI Clerk 2011]
 (a) Kolkata (b) Ahmedabad
 (c) Mumbai (d) Delhi
 (e) Udaipur
- 29.** Which of the following stock exchanges with a median response time of 6 μ s, is now considered as the world's fastest stock exchange?
 [SBI PO 2016]
 (a) New York State Exchange
 (b) National Stock Exchange of India
 (c) NASDAQ New York
 (d) London Stock Exchange Group
 (e) Bombay Stock Exchange Limited

30. Which is the first Indian company to be listed on NASDAQ?

- (a) Reliance (b) TCS
- (c) HCL (d) Infosys
- (e) None of these

31. The index of London Stock Market is referred as

- (a) sensex
- (b) footsie (FTSE)
- (c) nifty
- (d) bullish
- (e) None of the above

32. Which of the following organisations is the regulator of Stock Exchanges in India?

[SBI Assistant 2012]

- (a) RBI (b) SIDBI
- (c) SEBI (d) NABARD
- (e) IBA

33. World's largest stock exchange.

[SBI Clerk 2016]

- (a) New York Stock Exchange
- (b) BSE
- (c) NSE
- (d) London Stock Exchange
- (e) None of the above

34. Which of the following stock exchanges in India, recently launched 'Carbon Index', so that investors can assess risk and opportunities associated with climate change?

[IBPS Specialist Officer 2012]

- (a) Delhi Stock Exchange
- (b) National Stock Exchange
- (c) Bombay Stock Exchange
- (d) Kolkata Stock Exchange
- (e) Ahmedabad Stock Exchange

35. FMC merged with

[SBI Clerk 2016]

- (a) SBI (b) CRISIL
- (c) RBI (d) SEBI
- (e) None of these

36. MCX is the index of which of the following stock exchanges of India?

[SBI PO 2012]

- (a) National Stock Exchange
- (b) Bombay Stock Exchange
- (c) Delhi Stock Exchange
- (d) Kolkata Stock Exchange
- (e) Multi Commodity Stock Exchange

37. SEBI is a/an [Indian Overseas Bank 2011]

- (a) advisory body
- (b) statutory body
- (c) constitutional body
- (d) non-statutory body
- (e) registered as a society

38. In one of his speeches, Pranab Mukherjee said that the government had no plans to dilute the roles of market regulators. This means, the role of which of the following will not be diluted?

- (a) Life Insurance Corporation (LIC) of India
- (b) Confederation of Indian Industry (CII)
- (c) Federation of Chambers of Commerce and Industry (FCCI)
- (d) Bureau of Indian Standards
- (e) Securities and Exchange Board of India (SEBI)

39. BSE (Bombay Stock Exchange), the oldest stock exchange in Asia has joined hands with one more International index in February, 2013. This association has resulted in change of name of BSE index. What is the change of name effected?

[SBI PO 2013]

- (a) Dow Jones BSE Index
- (b) NASDAQ BSE Index
- (c) S & P BSE Index
- (d) Euronext BSE Index
- (e) Other than those given as options

40. Which company will head the panel setup by SEBI to review margins on derivatives and submit its recommendations to the Secondary Market Advisory Committee?

[SBI Clerk 2019]

- (a) NSE Clearing Limited
- (b) Metropolitan Clearing Corporation of India Limited
- (c) Maximus Securities Limited
- (d) FICCI
- (e) Bombay Stock Exchange

41. Receivables Exchange of India Ltd (RXIL) was incorporated on February 25, 2016 as a joint venture between National Stock Exchange of India and

[SBI PO Main 2019]

- (a) IDBI (b) NABARD
- (c) SIDBI (d) BSE
- (e) RBI

- 42.** In India 'Commodities Derivatives Market' is regulated by [RBI Grade B 2016]
 (a) PFRDA (b) FCI
 (c) IRDAI (d) SEBI
 (e) RBI
- 43.** Which of the following Indian organisations has allowed custodian services in the commodity market? [IBPS PO 2019]
 (a) RBI (b) SEBI
 (c) IRDAI (d) SIDBI
 (e) NABARD
- 44.** Which of the following authorities is responsible for maintaining accounts, deposits and cash management of the government through issue of Bonds and Treasury Bills? [SBI Clerk 2014]
 (a) SEBI (b) IBA
 (c) IRDAI (d) SBI
 (e) RBI
- 45.** Which of the following best describes the Securities and Exchange Board of India?
 (a) SEBI is the regulator for the capital markets
 (b) SEBI protects the interest of investors
 (c) SEBI is for ethical trading practices
 (d) All of the above
 (e) None of the above
- 46.** What does SEBI stand for? [IBPS RRB Main 2017]
 (a) Securities and Exchange Board of India
 (b) Service and Employment Building of India
 (c) Securities Exchange Board of India
 (d) Service Estimated by Banks in India
 (e) None of the above
- 47.** Who amongst the following is the regulator in the financial system of the country? [SBI Clerk 2015]
 (a) Other than those given as options
 (b) SEBI
 (c) CRISIL
 (d) TRAN
 (e) CERC
- 48.** The securities and Exchange Board of India had issued ESOP guidelines in
 (a) 1999 (b) 2002
 (c) 1997 (d) 2001
 (e) 2000
- 49.** Which of the following is the regulator of the credit rating agencies in India?
 (a) RBI (b) SBI
 (c) SIDBI (d) SEBI
 (e) None of these
- 50.** In the capital market, the term 'arbitrage' is used with reference to
 (a) purchase of securities to cover the sale
 (b) sale of securities to reduce the loss on purchase
 (c) simultaneous purchase and sale of securities to make profits from price
 (d) variation in different markets
 (e) All of the above
- 51.** Class of derivative whose value is atleast partly derived from one or more underlying stock exchange securities (Trade, Commodity, Credit, Interest Rate, Equity). [SBI PO 2017]
 (a) Equal Derivative
 (b) Stock Derivative
 (c) Equity Derivative
 (d) Supply Derivative
 (e) Equal Value Derivative
- 52.** For issuing a commercial paper, a company should have credit rating of
 (a) AAA
 (b) A₂ from CRISIL or equivalent
 (c) P2 from any of rating agencies
 (d) Not required any more
 (e) None of the above
- 53.** CRISIL is a [SBI Clerk 2016]
 (a) credit rating agency
 (b) banking supervisory agency
 (c) payment system of India
 (d) investment fund
 (e) small finance bank
- 54.** NSDL was registered by the
 (a) SEBI (b) RBI (c) IRDAI (d) SBI
 (e) GoI
- 55.** Which one of the following is the example of Insurance depositories?
 (a) Central Insurance Repository Limited (CIRIL)
 (b) NSDL Database Management Limited
 (c) SHCIL Projects Limited
 (d) Karvy Insurance repository Limited
 (e) All of the above

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56. CSDL commenced its operations during February, 1999. What is CSDL?

- (a) Central Depository Services Limited
- (b) Central Depository Securities Limited
- (c) Central Dual Securities Limited
- (d) Close-ended Depository Securities Limited
- (e) Capital Depository Securities Limited

57. NSDL is promoted by

- (a) IDBI
- (b) UTI
- (c) NSE
- (d) All of these
- (e) None of these

58. De-materialisation is the process by which a client can get physical certificates converted into

- (a) balances
- (b) electronic balances
- (c) cash balances
- (d) audit balances
- (e) draft

59. India's first depository to facilitate trading and settlement of securities in the demat form was

- (a) CSDL
- (b) NSDL
- (c) RSDL
- (d) SSDL
- (e) USDL

60. As on July 2021, there are depositories working in India.

- (a) 2
- (b) 4
- (c) 6
- (d) 8
- (e) 10

Answers

1. (c)	2. (a)	3. (c)	4. (d)	5. (a)	6. (a)	7. (d)	8. (b)	9. (d)	10. (e)
11. (b)	12. (d)	13. (e)	14. (d)	15. (a)	16. (c)	17. (b)	18. (c)	19. (d)	20. (a)
21. (c)	22. (d)	23. (a)	24. (d)	25. (d)	26. (e)	27. (b)	28. (e)	29. (e)	30. (d)
31. (b)	32. (c)	33. (a)	34. (c)	35. (d)	36. (e)	37. (b)	38. (e)	39. (c)	40. (a)
41. (c)	42. (d)	43. (b)	44. (e)	45. (d)	46. (a)	47. (b)	48. (a)	49. (d)	50. (c)
51. (b)	52. (b)	53. (a)	54. (a)	55. (e)	56. (a)	57. (d)	58. (b)	59. (b)	60. (a)

INSURANCE AND NBFCs

Insurance is a type of legal contract which provides protection against personal and financial losses. The insurance companies (the insurers) are financial intermediary and they stand to be regarded as a very important financial entity in the Indian financial system.

Evolution of Insurance in India

The business of life insurance in India in its existing form started in the year 1818 with the establishment of the **Oriented Life Insurance Company** in Calcutta.

The Triton Insurance Company Ltd. is the first general insurance company established in the year 1850 in Calcutta (now Kolkata) by the British. The Indian Life Assurance Companies Act enacted in 1912 as the first statute to regulate the life insurance business.

The Indian Mercantile Insurance Ltd. setup in 1907, was the first company to transact all classes of general insurance business. The Indian Insurance Companies Act enacted to enable the government to collect statistical information about both life and non-life insurance businesses in 1928. Insurance

Act, 1938 provides the broad framework and comprehensive regulations of the insurance business in India.

245 Indian and foreign insurers and provident societies were taken over by the central government and nationalised in 1956.

Insurance Sector in India

The number of participants in the insurance industry in India has gone up from 7 insurers (including LIC, four public sector general insurers, one specialised insurer and the GIC as the national re-insurer) in 2000 to 57 insurers as in 2021. Insurance Regulatory and Development Authority of India (IRDAI) has recognised 24 life insurance companies and 34 non-life insurance companies.

Insurance companies in India offer protection against losses. They deal in life insurance, marine insurance, vehicle insurance and so on.

The insurance companies collect the little savings of the investors and then re-invest those savings in the market. In February, 2021, Nirmala Sitaraman the Finance Minister of India announced to infuse ₹ 3000 crore into state-owned general insurance companies to improve the overall financial health of the companies.

Life Insurance Corporation (LIC) of India

LIC was established on **1st September, 1956**, which set the pace of nationalisation of the insurance sector under the stewardship of CD Deshmukh.

It has head office at **Mumbai** and 8 zonal offices. LIC is also operating internationally through joint venture companies in Bahrain, Nepal, Sri Lanka, Kenya and Saudi Arabia.

In 2008, its wholly owned subsidiary was opened in Singapore. It also extends assistance for the development of infrastructure facilities like housing, rural electrification, water supply, sewage, etc.

In addition, it extends resource support to other financial institutions through subscription to their shares and bonds, etc. In making investments, the major consideration is the protection of the interests of policy-holders and the aim is to secure the highest possible yield consistent with the safety of capital.

It is the single largest investor in the country. It subscribes to and underwrites the shares, bonds and debentures of various financial corporations and companies and provides term loans. The punch line of LIC is **Zindagi Ke Sath Bhi Zindagi Ke Baad Bhi**.

General Insurance Corporation (GIC)

GIC was established on **1st January, 1973**, with its four subsidiaries i.e., National Insurance Company Limited (Kolkata), The New India Assurance Company Limited (Mumbai), The Oriental Fire and General Insurance Company Limited (New Delhi) and United Indian General Insurance Company Limited (Chennai).

These four subsidiaries de-linked themselves from GIC in 2000 and formed an association known as 'General Insurers's Public Sector Association (GIPSA) of India' with headquarter in Delhi.

As on 21st March, 2003, GIC ceased to be a holding company of its subsidiaries. General Insurance Corporation of India Reinsurer (GIC Re) was

approved as the 'Indian Reinsurers' on 3rd November, 2000. GIC Reinsurer has branch offices in Dubai and London and a representation office in Moscow.

General Insurance in India

- The entire general insurance business in India was nationalised by General Insurance Business Nationalisation Act (GIBNA), 1972.
- The Government of India (GoI), though nationalisation took over the shares of 55 Indian Insurance Companies and the undertaking of 52 insurers carrying on general insurance business.

Insurance Companies of India

The insurance sector in India is basically divided into two categories i.e., life insurance and non-life insurance. The non-life insurance sector is also termed as General Insurance. Both the life insurance and non-life insurance is governed by IRDAI. Union Budget 2021 increased FDI limit in insurance from 49% to 74%.

As on July, 2021, 57 insurance companies are operating in India. Prominent among them in Public and Private Sector is given below.

Public Sector Insurance Companies

- National Insurance Company
- New India Assurance
- The Oriental Insurance Company
- United India Insurance Company
- Agriculture Insurance Company of India

Private Sector Insurance Companies

- Bajaj Allianz General Insurance
- HDFC ERGO General Insurance Company
- ICICI Lombard General Insurance Co. Ltd.
- Max Bupa Health Insurance Company Ltd.
- Religare Health Insurance Company Ltd.
- Shriram General Insurance Company Ltd.
- Reliance General Insurance
- TATA AIG General Insurance
- Kotak Mahindra General Insurance

Terms Related to Insurance

- **Term Insurance** is a life insurance policy that provides financial coverage to the beneficiary of the policy, if the life insured dies during the active term of the policy. A term insurance plan provides life insurance cover against the fixed premium paid for specified term of the year.
- **Endowment Policy** is the life insurance agreement that is mapped out to pay the lump sum after a specified term that is on maturity or upon death.
- **Pension Plan** is otherwise called Retirement Plan. The principle objective behind a Pension Plan is to have a normal salary post-retirement.
- **Motor Insurance** is mandatory for all vehicles in India (with some exception). Its main objective is to give complete protection against physical damage or loss sustained by the insured vehicle from natural and man-made calamities.

Some Important Insurance Companies of India

1. **National Insurance Company Limited** The company was incorporated in the year 1906. After nationalisation, it was merged along with 21 foreign and 11 Indian companies, to form National Insurance Company Ltd. The company provides insurance services to the customers catering to almost all segments of general insurance business.
2. **New India Assurance Company Limited** The company was founded by Sir Dorabji Tata on 23rd July, 1919 and nationalised in 1973 with merger of Indian companies. The company provides insurance services to the customers having over 170 products catering to almost all segments of general insurance business.
3. **Oriental Insurance Company Limited** The Oriental Insurance Company Ltd was incorporated in the year 1947. In 2003, all shares of the company held by the General

Insurance Corporation of India were transferred to the Government of India. It provides insurance services to almost all segments of general insurance business.

4. **United India Insurance Company Limited**

United India Insurance Company Limited was incorporated in 1938. With the nationalisation of General Insurance business in India, 12 Indian Insurance Companies, 4 Cooperative Insurance Societies and Indian operations of 5 Foreign Insurers, besides General Insurance operations of southern region of Life Insurance Corporation of India were merged with United India Insurance Company Limited.

The company provides insurance services to the customers catering to almost all segments of general insurance business.

5. **Agriculture Insurance Company of India Limited**

Agriculture Insurance Company (AIC) of India Limited was incorporated to exclusively cater to the insurance needs of the persons engaged in agriculture and allied activities in India under the Companies Act, 1956 on 20th December, 2002. It started its business operation from 1st April, 2003.

It has its head office in New Delhi, 17 regional offices in various State Capitals and 3 one man offices at District level.

6. **Deposit Insurance and Credit Guarantee Corporation**

It was established on 15 July, 1978 under the Deposit Insurance and Credit Guarantee Corporation (DICGC) Act, 1961 for the purpose of providing insurance of deposits and guaranteeing of credit facilities. Head office of DICGC is in Mumbai. It is a wholly owned subsidiary of RBI.

All commercial banks, regional rural banks, branches of foreign banks (functioning in India), local area banks and co-operative banks are insured by DICGC.

Bank Locker Insurance

- Indian Farmers Fertiliser Co-operative Limited (IFFCO) Tokio General Insurance launched 'Bank Locker Protector Policy'. It is the first stand-alone bank locker cover offered by any insurance company with a plan to protect the contents of a bank locker such as jewellery, title documents and other valuables. The policy offers a cover against various risks including fire, earthquake, burglary, holdup, infidelity by a bank staff or any act of terrorism.
- The policy can be sold both as a retail and a group policy for banks. It offers 7 options of sum insured ranging from ₹ 3 lakh to ₹ 40 lakh and above, and the premium rate is affordable with a cover of ₹ 3 lakh available at just ₹ 300, which is less than ₹ 1 per day.

Liberalisation of Insurance Sector in India

In 1993, Malhotra Committee, headed by former Finance Secretary and RBI Governor **RN Malhotra**, was formed to evaluate the Indian insurance industry and recommend its future direction. Malhotra Committee was setup with the objective of complementing the reforms initiated in the financial sector.

The Government of India liberalised the insurance sector in March, 2000 with the message of the Insurance Regulatory and Development Authority of India (IRDAI) Bill, lifting all entry restrictions for private players and allowing foreign players to enter the market with some limits on direct foreign ownership.

Due to efforts of IRDAI, the Foreign Direct Investment (FDI) limit in the insurance sector was raised to 74%. As per the Government of India notification dated 3rd August, 2000 specifying 'Insurance' as a permissible form of business that could be undertaken by banks under the Banking Regulation Act, 1949.

NBFCs as private company registered with RBI can take up insurance agency business on fee basis and without the approval of RBI is subject to certain conditions. Suresh Mathur Committee was formed by IRDAI to review micro insurance in April, 2019.

Insurance Regulatory and Development Authority of India (IRDAI)

The IRDA has changed its name to **IRDAI**. The change of name was effected in the Insurance Laws (Amendment) Ordinance, 2014 and was promulgated by the President of India on 26th December, 2014.

IRDAI was established in the year 1999, by the Indian Government, for two reasons - to safeguard the interest of the policy holders and for the upgradation of the entire insurance sector.

Right from the approach adopted by the existing insurance companies towards their shareholders to the eradication of the shortcomings of the industry. The organisation was setup under the guidelines of the Insurance Regulatory and Development Authority Act, 1999. IRDAI has announced the issuance, through Digilocker, of digital insurance policies by insurance firms.

Functions of IRDAI

The IRDAI ensures and safeguards the interests of policy holders in the following ways

- Nomination by policy holders.
- Settlement of insurance claim.
- Practical training for insurance agents and other intermediaries.
- Insurable interest.
- Surrender value of policy holders.
- Code of Conduct of insurance intermediaries.
- Assistance in gaining correct information about policies.
- Creation of management information system.
- Promotion of self-regulation within the insurance sector.

Insurance Laws (Amendment) Act, 2015

The Insurance Laws (Amendment) Act, 2015 was enacted on 23 March, 2015 and came into effect on **12 August, 2016**.

The passage of the Act thus, paved the way for major reform related amendments in the Insurance Act, 1938, General Insurance Business (Nationalisation) Act, 1972 and Insurance Regulatory and Development Authority (IRDA) Act, 1999.

Salient Features of the Act

- The total Foreign Investment Bill limit in the insurance sector has been raised from 26% to 49%.
- Provision for the establishment of Life Insurance Council and General Insurance Council. These councils will act as self-regulating bodies for the insurance sector.
- Provision of 10 years of imprisonment for the sale of insurance policy without registration with the regulatory body.

Other Ways of Insurance

There are various ways for offering insurance products which are explained below

Bancassurance

Bancassurance is a French term referring to the selling of insurance through a bank's established distribution channels.

Bancassurance is the selling of insurance and banking products through the same channel, most commonly through bank branches. Selling insurance means distribution of insurance and other financial products through banks.

Advantages of Bancassurance

- It put pressure on bank's profit margins. Bancassurance offers another area of profitability to banks with little or no capital outlay.
- A small capital outlay in turn means a high return on equity.
- A desire to provide one-stop customer service. Today, convenience is a major issue in managing a person's day-to-day activities.
- A bank, which is able to market insurance products, has a competitive edge over its competitor.

- It can provide complete financial planning services to its customers under one roof.

Status of Bancassurance in India

Reserve Bank of India (RBI) has recognised 'Bancassurance' wherein banks are allowed to provide physical infrastructure within their selected branch premises to insurance companies for selling their insurance products to the banks' customers with adequate disclosure and transparency and in turn earn referral fees on the basis of premia collected. This would utilise the resources in the banking sector in a more profitable manner.

RBI Guidelines for Bancassurance

- The new guidelines allow banks to act as brokers permitting them to sell insurance policies of different insurance companies.
- Seeking to increase insurance penetration in the country, the Reserve Bank allowed banks to act as brokers for insurers, set up their own subsidiaries and also undertake referral services for multiple companies.
- They can also act as corporate agents without seeking prior approval from the RBI.
- However, they will have to comply with IRDAI guidelines.

IRDAI Guidelines for Bancassurance

- Insurance sector regulator, IRDAI, is evaluating fresh norms for banks to act as intermediaries for insurers, following recent changes in law brought through an ordinance by the government.
- Under existing bancassurance guidelines, a bank can act as a corporate agent and sell policy of only one life insurer and one non-life insurance company.
- But, the new guidelines will allow banks to act as brokers permitting them to sell insurance policies of different insurance companies.
- In order to boost the insurance penetration in India, IRDAI has classified Banks (Corporation Agents), brokers and agents as insurance intermediaries.

Unit Linked Insurance Plan

A Unit Linked Insurance Plan (ULIP) is a product offered by insurance companies, that unlike a pure insurance policy, gives investors both insurance and investment under a single integrated plan. A portion of premium goes towards mortality charges, i.e., providing life cover.

The remaining portion gets invested in funds of policyholder's choice. Invested funds continue to earn market linked returns. ULIP policy holders can make use of features such as top-up facilities, switching between various funds during the tenure of the policy, reduce or increase the level of protection, options to surrender, additional riders to enhance coverage and returns as well as tax benefits.

Comparison Between Unit Linked Insurance Plan And Mutual Fund

ULIP	Mutual Fund
Unit Linked Insurance Plan is offered by insurance companies. This plan allows investors to channelise part of their premiums into different types of funds (equity, debt, money market, hybrid, etc.).	A mutual fund pools the money from investors and uses it to invest in various securities according to a pre-specified investment objective.
Dual benefit of investment and insurance.	Investment tool suitable for short to medium term.
Suitable for the long term.	Easy exit possible.
Option to switch between funds is permitted.	Tax benefit available only on tax saving funds.
Offers tax benefits.	

Reinsurance

A reinsurer is a company that provides financial protection to insurance companies. It is the practice where by insurers transfer portions of their risk portfolios to other parties by some form of

agreement to reduce the likelihood of paying a large obligation resulting from an insurance claim.

Reinsurance can be divided into two basic categories i.e., treaties and facultative.

- (i) **Treaties** are agreements that cover broad group of policies such as all of a primary insurer's auto business.
- (ii) **Facultative** covers specific individual, generally high-value or hazardous risks, such as a hospital, that would not be accepted under a treaty.

Non-Banking Financial Companies (NBFCs)

Non-Banking Financial Companies (NBFCs) are financial institutions that provide financial services without meeting the legal definition of a bank i.e., one that does not hold a banking license. NBFCs are incorporated under the Companies Act, 1956, with minimum net owned fund of ₹ 200 lakh engaged in business.

NBFCs include

- A financial institution, which is a company.
- A non-banking institution which is a company and which has, as its principal business, the receiving of deposits under any scheme or arrangement or in any other manner or lending in any manner.
- Such other non-banking institution of class of such institutions as the RBI may with the previous approval of the Central Government specify.

Characteristics of NBFCs

- NBFC can't accept demand deposit.
- NBFC cannot issue cheques drawn on itself.
- RBI is the regulator of NBFCs.
- NBFCs are allowed to accept/renew public deposits for a minimum period of 12 months and maximum period of 60 months.

Features of NBFCs

They are generally small in terms of size and scope except a few NBFCs like provident fund, pension fund, etc., which are large in size.

The structure of these institutions is simple and management cost is low. Other significant features of NBFCs are briefly discussed below

- **Low Capital Intensity** These institutions have a very low amount of owned capital. They collect larger sum of money from the people by offering attractive returns. They have to do this as they find it difficult to collect deposits.
- **Easy Availability of Loans** Borrowers turned down by the commercial banks and development banks, approach these NBFCs for loans as they make it available easily with few document requirement.
- **Unsecured Loans** The loans offered by NBFCs involve more risk as these are offered with or without inadequate mortgage or security. This results in recovery of loans difficult.
- **Rescheduling of Loans** NBFCs convert the loans offered for short and medium-term into long-term loans when they are not recovered. As a result, amount of loan, term and rate of interest increase.
- **Support for Economic Needs** NBFCs provide loan assistance for several economic activities like agriculture, industry, trade, service sector and also finance to household sector for consumption, education, home construction, purchase of vehicle, health, etc.

Types of NBFCs

The Reserve Bank of India categorises the NBFCs into following categories on the basis of their nature and activities

1. **Equipment Leasing Company** It means any company, principal business of which is leasing of equipment or the financing of such activity.
2. **Hire Purchase Company** It is one whose principal business is hire-purchase or financing such transactions. The goods are let on hire by the hire-purchase company with a condition to pay the installments by the hirer and after all the installments are paid by the hirer.
3. **Housing Finance Company** It is a company which provides finance for acquisition and/or construction of houses, acquisition of land and development of land.
4. **Investment Company** It acquires securities from security issuers and resales it later to the investing public.
5. **Loan Company** It is a company which provides finance by making loans or advances for any activity other than its own. These activities exclude leasing and hire- purchase.
6. **Mutual Benefit Financial Company** It is usually the Nidhi which is notified by the Central Government under Section 620(A) of the Companies Act, 1956.

It provides finance to the members of the companies and accept deposits from them.



QUESTION BANK

- 1.** Insurance helps to
 - (a) prevent adverse situations from occurring
 - (b) reduce the financial consequences of adverse situations
 - (c) overcome all consequences of adverse situations
 - (d) make assets continuously productive
 - (e) All of the above
- 2.** The main purpose of having Life Insurance is
 - (a) as an avenue for long term investment
 - (b) as a medium for getting income tax benefits from savings
 - (c) as a governmental programme for reducing poverty
 - (d) as an avenue for short term investment
 - (e) None of the above
- 3.** Insurance works on the Principle of
 - (a) Financial Losses Sharing
 - (b) Probabilities
 - (c) Randomness
 - (d) All of these
 - (e) None of the above
- 4.** The business of Life Insurance in India started in the year
 - (a) 1775
 - (b) 1818
 - (c) 1854
 - (d) 1889
 - (e) 1901
- 5.** Name of the first Life Insurance Company in India.
 - (a) Oriented Life Insurance Company
 - (b) Shriram General Insurance Company Ltd.
 - (c) Star Health and Allied Insurance
 - (d) Religare Health Insurance Company Ltd.
 - (e) None of the above
- 6.** Name of the first General Insurance Company in India.
 - (a) Oriented Insurance Company
 - (b) Life Insurance Company
 - (c) Indian Mercantile Company
 - (d) Triton Insurance Company
 - (e) Assurance Company
- 7.** Insurance Act, 1938 provides the broad framework and comprehensive regulation of the insurance business in
 - (a) Britain
 - (b) Portugal
 - (c) India
 - (d) All of these
 - (e) None of these
- 8.** 245 Indian and foreign insurers and provident societies taken over by the central government and nationalised in
 - (a) 1938
 - (b) 1928
 - (c) 1907
 - (d) 1956
 - (e) 1972
- 9.** Which of the following is the only public sector company in the field of life insurance?
 - (a) General Insurance Company
 - (b) New India Assurance Company
 - (c) Oriental Insurance Company
 - (d) SBI Life Insurance Company
 - (e) Life Insurance Corporation of India
- 10.** As on June, 2021 how many insurance companies are there in India?
 - (a) 24
 - (b) 34
 - (c) 42
 - (d) 50
 - (e) 57
- 11.** LIC was established on
 - (a) 1st September, 1956
 - (b) 1st August, 1958
 - (c) 11th June, 1961
 - (d) 1st May, 1965
 - (e) 18th May, 1972
- 12.** LIC has head office at [IBPS 2011]
 - (a) Kolkata
 - (b) Mumbai
 - (c) Delhi
 - (d) Lucknow
 - (e) Noida
- 13.** LIC is operating internationally through joint venture companies in
 - (a) Nepal
 - (b) Kenya
 - (c) Bahrain
 - (d) Saudi Arabia
 - (e) All of these
- 14.** The Life Insurance Corporation of India has how many Zonal offices in India?
 - (a) Five
 - (b) Eight
 - (c) Ten
 - (d) Fifteen
 - (e) None of these

- 15.** Which insurance company is the single largest investor in India?
 (a) LIC (b) GIC
 (c) ICICI (d) SBI
 (e) NICL
- 16.** The punch line of the advertisement of which of the following organisation is “Zindagi Ke Sath Bhi Zindagi Ke Baad Bhi”?
 (a) New India Assurance
 (b) General Insurance Corporation
 (c) ICICI Prudential
 (d) Life Insurance Corporation of India
 (e) None of the above
- 17.** GIC was established in
 (a) 1952 (b) 1956
 (c) 1973 (d) 1979
 (e) 1985
- 18.** Which of the following was the parent company of New India Assurance?
 (a) LIC
 (b) GIC
 (c) Oriental Insurance Co. Ltd.
 (d) United India Insurance
 (e) None of the above
- 19.** Which one of the following is specialised General Insurance Company?
 (a) Cigma TITK
 (b) IFFCO Tokio
 (c) Max Bupa
 (d) General Insurance Corporation of India
 (e) TATA AIG General
- 20.** Four subsidiaries of GIC delinked themselves from GIC in
 (a) 1956 (b) 1938
 (c) 1973 (d) 1907
 (e) 2000
- 21.** First Indian Reinsurers Company is
 (a) LIC (b) GIC Re
 (c) ICICI Re (d) NIA Re
 (e) None of these
- 22.** Headquarters of United India Insurance Company is in
 (a) Kolkata (b) Mumbai
 (c) New Delhi (d) Chennai
 (e) Patna
- 23.** Which of the following is the Public Sector Insurance company?
 (a) New India Assurance
 (b) The Oriental Insurance Company
 (c) United India Insurance Company
 (d) National Insurance Company
 (e) All of the above
- 24.** Which of the following company is the sole reinsurance company in India?
 [UBI PO 2016]
 (a) Life Insurance Corporation of India
 (b) ICICI Prudential Life Insurance Company
 (c) National Insurance Company
 (d) New India Assurance Company
 (e) General Insurance Corporation
- 25.** The New India Assurance Company was established in 1919 by
 (a) Dorabji Tata (b) GD Birla
 (c) Jamunlal Bajaj (d) Kamlapat Singhanian
 (e) None of these
- 26.** Largest share in oriental insurance is of
 [SBI Clerk 2016]
 (a) SEBI (b) SBI
 (c) RBI (d) Union Government
 (e) IRDAI
- 27.** Head Office of Agriculture Insurance Company of India Limited is in
 (a) New Delhi (b) Mumbai
 (c) Patna (d) Kolkata
 (e) Chennai
- 28.** Which one is Nationalised Insurance Company?
 [IBPS 2014]
 (a) SBI General Insurance Company Ltd.
 (b) Religare Health Insurance Company
 (c) New India Assurance Co. Ltd.
 (d) Reliance General Insurance Co. Ltd.
 (e) IFFCO-Tokio Insurance Co. Ltd.
- 29.** Reinsurance is the name given to
 [SBI Clerk 2018]
 (a) An individual taking insurance for the second time
 (b) An insurer placing insurance with another insurer
 (c) When government by insurance policies for government employees
 (d) All of the above
 (e) None of the above

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- 30.** Deposit Insurance and Credit Guarantee Corporation is wholly owned subsidiary of
 (a) Government of India
 (b) ICICI (c) RBI (d) SBI (e) PNB
- 31.** Plan provides life insurance cover against the fixed premium paid for specified term of the year.
 (a) Term Insurance (b) Endowment Policy
 (c) Pension Plan (d) Mother Insurance
 (e) None of these
- 32.** Bank Locker Protector Policy was launched by
 (a) IFFCO Tokio General Insurance Company
 (b) ICICI Lombard General Insurance Company
 (c) Religare General Insurance Company
 (d) HDFC ERGO General Insurance Company
 (e) Max Bupa Insurance Company
- 33.** Bank Locker Insurance Policy offers a cover against various risks including
 (a) Fire (b) Burglary
 (c) Holdup (d) Earthquake
 (e) All of these
- 34.** Which insurance company launched India's first policy to protect bank locker such as jewellery, title documents and other valuables? [SBI Clerk 2019]
 (a) United Indian Insurance
 (b) Life Insurance Corporation of India
 (c) IFFCO Tokio General Insurance
 (d) National Insurance Company
 (e) SBI Life Insurance
- 35.** As per the Government of India notification dated 3rd August, 2000 specifying 'Insurance' as a permissible form of business that could be undertaken by
 (a) Financial Institute (b) IO
 (c) Bank (d) Stock Market
 (e) Bond Market
- 36.** Which committee was formed by Insurance Regulatory and Development Authority of India (IRDAI) to review micro insurance in April, 2019? [SBI Clerk 2019]
 (a) MK Sharma Committee
 (b) Suresh Mathur Committee
 (c) RN Malhotra Committee
 (d) Ajit Kumar Committee
 (e) Chandrashekhar Committee
- 37.** What are the main functions performed by the IRDAI?
 (a) Protect the rights of policy holders
 (b) Adjudication on insurance related matters
 (c) Promoting insurance business
 (d) Regulating investment of funds by insurance companies
 (e) All of the above
- 38.** If an organisation wishes to venture into Insurance Business it has to obtain a licence first from which of the following?
 (a) Indian Banks Association (IBA)
 (b) Security and Exchange Board of India (SEBI)
 (c) Tariff Advisory Committee (TAC)
 (d) Insurance Regulatory and Development Authority of India (IRDAI)
 (e) None of the above
- 39.** IRDA has changed its name to IRDAI in
 (a) 2011 (b) 2014 (c) 2016 (d) 2018
 (e) 2020
- 40.** According to the Insurance Laws (Amendment) Bill, 2015, FDI in Insurance Sector was
 (a) 74% (b) 26%
 (c) 49% (d) 51%
 (e) None of these
- 41.** Insurance service provided by various banks is commonly known as [SBI 2018]
 (a) Investment Banking (b) Portfolio Management
 (c) Merchant Banking (d) Bancassurance
 (e) Banking insurance
- 42.** Bancassurance is a relationship between bank and [SBI Clerk 2016]
 (a) Education (b) Insurance Company
 (c) Employee (d) Customer
 (e) NABARD
- 43.** offers another area of profitability to banks with little or no capital outlay.
 (a) Bancassurance (b) Bankonce
 (c) ULIP Insurance (d) Insurance
 (e) None of these
- 44.** Which of the following types of companies / organisations issue ULIP?
 (a) Insurance companies
 (b) Stock brokers (c) Banks
 (d) NABARD (e) RBI

- 45.** Choose the correct statement regarding ULIP.
- Offers tax benefits
 - Easy exit possible
 - Tax benefit available only on tax saving funds
 - Investment tool suitable for short to medium term
 - Both (b) and (c)
- 46.** What is the full form of ULIP, the term which was in the news recently?
- Universal Life and Investment Plan
 - Unit Loan and Insurance Plan
 - Universal Loan and Investment Plan
 - Uniformly Loaded Investment Plan
 - Unit Linked Insurance Plan
- 47.** Government has issued an ordinance announcing ULIP as Insurance Product. Who is now the regulator of ULIPs?
- SEBI
 - IRDAI
 - RBI
 - Both (a) and (b)
 - Government of India
- 48.** Which Insurance policies give holder the benefits of both Insurance and Investment?
- Term Insurance Policies
 - Money Back policies
 - Unit Linked Investment Policies
 - Pension Policies
 - All of the above
- 49.** Which agency regulates and supervises NBFCs?
- Finance Ministry
 - SEBI
 - RBI
 - Respective state government
 - None of the above
- 50.** Which of the following is not available to depositors of NBFCs? [IBPS PO 2017]
- Deposit insurance facility
 - Acquisition of shares
 - Loans and advances
 - All of the above
 - None of the above
- 51.** Financial institutions that provide financial services without meeting the legal definition of a bank are known as
- Banking Financial Institutions
 - Non-Banking Financial Institutions
 - ULIP
 - Both (a) and (b)
 - None of the above
- 52.** The NBFCs are allowed to accept/ renew public deposits for a minimum period of 12 months and the maximum period of months. [SBI PO 2017]
- 18 months
 - 24 months
 - 36 months
 - 48 months
 - 60 months
- 53.** Features of NBFCs is/are
- Easy availability of loans
 - Unsecured loans
 - Independent policy
 - All of the above
 - None of the above
- 54.** Which is not a category of NBFCs?
- Loan company
 - Investment company
 - Housing finance company
 - Bond company
 - Hire purchase company

Answers

1. (b)	2. (e)	3. (d)	4. (b)	5. (a)	6. (d)	7. (c)	8. (d)	9. (e)	10. (e)
11. (a)	12. (b)	13. (e)	14. (b)	15. (a)	16. (d)	17. (c)	18. (b)	19. (d)	20. (e)
21. (b)	22. (d)	23. (e)	24. (e)	25. (a)	26. (d)	27. (a)	28. (c)	29. (b)	30. (c)
31. (a)	32. (a)	33. (e)	34. (c)	35. (c)	36. (b)	37. (e)	38. (d)	39. (b)	40. (c)
41. (d)	42. (b)	43. (a)	44. (a)	45. (a)	46. (e)	47. (b)	48. (c)	49. (c)	50. (a)
51. (b)	52. (e)	53. (d)	54. (d)						

TAX SYSTEM IN INDIA

Taxes are mandatory contributions levied on individuals or corporations by government entity whether local, regional or national. Government collect tax from citizen and spend it on their welfare and common good. At present, the main aim of collection of tax (taxation) is not to secure finances for the expenditure, but to reduce the economic inequalities of the income.

Tax System in India

Tax is a compulsory payment by the citizens to the government to meet the public expenditure. It is legally imposed by the government of India. Generally, tax is divided into two parts namely, **Direct tax** and **Indirect tax**.

Direct and Indirect Tax in India

Direct Tax	Indirect Tax
Personal income tax	Excise duty
Corporation tax	Custom duty
Wealth tax	Sales tax
Gift tax	Service tax
Land revenue	Value added tax
Professional tax	Passenger tax
Stamp duty and registration charges	Entertainment tax

Direct Tax	Indirect Tax
Securities trade tax	Electricity duty
Banking cash transaction tax	Motor vehicle tax

Direct Tax

A direct tax is paid by an individual or organisation to the entity that levied the tax. A direct tax cannot be shifted to other person. Impact of the tax as well as incidence of the tax is on the same person.

Some of the Central Direct Taxes

1. **Income Tax** It is the tax levied directly on the income of the people by the Central Government. This tax is recovered by Income tax department under Central Board of Direct Taxes (CBDT). It was introduced in 1845.
2. **Gift Tax** The tax is imposed by the Central Government on all donations and gifts over and above the prescribed limit to the family members. However, donation given by the charitable institutions and companies is not covered under gift tax. Cash or gifts from non-relatives is non-taxable upto a value of ₹ 50,000 in a year.

3. **Corporate Tax** It is levied on the profit of the companies or corporations. Taxes are based on taxable income after expenses have been deducted. It is one of the chief source of income for the government of India.

4. **Wealth Tax** This tax was levied on the net wealth of the individuals. Hindu Undivided Families (HUFs) and joint stock companies. It was a minor source of revenue of the government, primarily imposed to reduce concentration of wealth in the society. It was introduced in India, in 1969. Former Finance Minister of India, Arun Jaitley abolished the wealth tax in Budget, 2015. It was later replaced with additional surcharge of 3% and 7% over those earning over 2-5 crore and 5 crore respectively.

An additional surcharge of 1% has also been levied on those having income over ₹ 1 crore.

5. **Interest Tax** This tax is imposed on the interest income of the commercial bank on their gross loans and advances. Now, it is not in force in India.

6. **Minimum Alternative Tax** Minimum Alternative Tax (MAT) is a provision in Direct tax laws to limit tax exemptions availed by companies, so that they pay at least a minimum amount of corporate tax to the government.

The key reason for introduction of MAT is to ensure minimum level of taxation for all domestic and foreign companies in India. It is applied to that part of company's profit which is not covered under corporate tax. MAT came into effect from assessment year 1988-89. It was abolished in 1991 and was re-introduced in 1996.

7. **Securities Transaction Tax** It is a tax payable in India on the value of securities transacted through a recognised stock exchange. Securities Transaction Tax (STT) was originally introduced in 2004.

8. **Equalisation Levy** It is a direct tax aimed at taxing the digital transactions i.e., the income

accruing to foreign e-commerce companies from India. Online advertisement and any provision for digital advertising space or facilities is covered under Equalisation Levy. It was introduced in India, in 2016.

9. **Estate Duty** It is a type of direct tax levied on the total property passing to the heirs on the death of a person. It is also referred as inheritance tax. It was introduced in 1953 but was abolished by the government in 1985.

Indirect Tax

These are the taxes, which have their primary burden or impact on one person, but that person succeeds in shifting his burden on others. Consequently, the final or the real burden of the taxes or the incidence has to be borne by a third person.

Some of the Central Indirect Taxes

1. **Excise Duty** These duties are imposed by Central Government on the goods produced within the country except certain goods, on which State Government are empowered to impose tax. These goods include liquor, drugs, etc.

2. **Custom Duty** These duties are imposed on commodities, which are imported or exported from India. In other words, when goods cross the political boundary of a country or come from other countries, custom duties are imposed.

3. **Central Value Added Tax (CENVAT)** It is popularly known as *central excise duty*. It is duty on the manufacture/production of goods in India. The regulatory body is the Central Board of Excise and Customs (CBSE), an agency of the Department of Revenue, Ministry of Finance, in India.

MODVAT (Modified Value Added Tax), introduced in 1986, was restricted upto manufacturing stage and credit of only excise duty paid on manufacturing products was available. It was revamped as Central Value Added Tax (CENVAT) in 2000.

4. **Service Tax** It is a tax imposed on the person who avails any specified activities. It was introduced in India on 1st July, 1994 on the recommendations of Dr. Raja Chelliah Committee on tax reform. It was abolished with the rollout of GST on 1st July, 2017 as the new tax subsumed service tax in addition to many other indirect tax.

5. **Value Added Tax (VAT)** It is an indirect tax, which is imposed on value added at the various stages of production or value adding. Value added tax refers to the difference between the value of output and the value of intermediate consumption.

VAT, is in fact a multi-stage sales tax. It is imposed at each stage of production or value adding.

Value added tax = Total sales

– Cost of intermediate consumption

It was introduced in 2005 on the recommendation of the Report of the Indirect Taxation Enquiry Committee, 1978, chaired by LK Jha.

Note Haryana was the first state to introduce VAT in India from 1st April, 2003 out of 35 States and UTs, 33 had introduced VAT.

Goods and Services Tax (GST)

GST is an indirect tax levied in India on the supply of goods and services. It is a comprehensive, multistage destination based tax. It has subsumed almost all the indirect taxes except few state and local taxes.

Further, it is imposed at every step in the production process, but is meant to be refunded to all parties in the various stages of production other than the final consumer. It is collected from point of consumption. The rate of GST is fixed by the Union Government in four slabs which are 5%, 12%, 18% and 28%. Government of India implemented GST from **1st July, 2017**.

Forms of GST

- GST converted the country into a unified market and is considered as biggest taxation reform in the country after independence.

- GST is a consumption based value added tax on goods and services with dual levy by both the Union and the States.
- In 2003, the Kelkar Task Force on indirect tax had suggested a comprehensive Good and Services Tax (GST) based on VAT principles.
- Under the GST regime, credits of input taxes paid at each stage is made available in the subsequent stage of value addition, which makes GST essentially a tax only on value addition at each stage.

Types of GST

1. **Central GST (CGST)** Under the CGST, there is a provision to impose tax on the supply of goods and services by the Central government. Earlier, Central Excise, Excise (Drugs and Toilet construction), Excise duties on the taxes imposed by the Central Government, (Goods of special importance), additional duty of custom duty (known under CVD), Special duty of Custom Duty (SAD), Service tax and gratuity surcharge were levied separately. They are now included in CGST.
2. **State GST (SGST)** Taxes imposed and collected by the State government on goods and services are levied under State GST system. Earlier, State governments used to levy VAT under State taxes, purchase tax, including State excise and surcharge related to State sub-tax and imposition, lottery taxes, tax on speculation and gambling. All these taxes are now included in SGST.
3. **Integrated GST (IGST, State Indemnification)** The Goods and Services tax provides an integrated GST (IGST) levied on international commodities and services. It is imposed and recovered by the Central Government. The amount of taxes received under this is distributed to the state for the loss of revenue generated to the States.
4. **Union Territory GST (UTGST)** Arrangement or provision under the UTGST Tax system is for the Union Territory where they do not have their own Legislative Assemblies, such as Andaman and Nicobar Island, Daman and Diu

and Dadar and Nagar Haveli, etc. These Union Territories have the provision to levy and collect taxes by the Central Government.

VAT and GST

- Under the previous VAT regime tax was levied on the sale of goods only while under GST, it is levied on the sale of goods and services.
- VAT was characterised by different VAT rates and laws in the state, in GST there is a uniform tax rate across India and four laws to be implemented all over India.
- The revenue collected from VAT was confined to the state in which the sale takes place whereas revenue collected from GST is equally shared by the Central and State Government.
- VAT was collected by seller's state whereas GST is collected by consumer state.

Taxes Subsumed Under GST

- The Central taxes levied and collected by centre such as Central Excise duty, Additional duties of excise, Additional Duties of Customs (CUD), Service Tax, Special Additional Duty of Customs and Additional Surcharge and Cesses are replaced by GST.
- The state taxes that would be subsumed under the GST are State VAT, Central Sales Tax, Luxury Tax, Entry Tax, Tax on Advertisements, lotteries, betting and gambling Entertainment and Amusement Tax (except when levied by the local bodies).

Taxes out of GST

Items that are not included in any of the provisions of the GST, include alcohol, real estate, crude oil, petrol, natural gas and the fuel for turbine.

All these items are out of GST provision and the earlier taxation system is applicable on them.

Goods and Services Tax (GST) Council

There is a provision of GST Council in Constitution under the Act. This council is an apex member committee to modify, reconcile or to procure only law or regulation based on the context of goods and services tax in India. It is Chaired by Union Finance Minister.

Effect of GST on Indian Economy

- Currently, there are many types of taxes under indirect tax system are prevalent, such as additional tax on production, entertainment tax, purchase tax, etc.
- After full implementation of GST, all these taxes will be include in GST. This will improve the tax system and transparency in the indian indirect tax system, thereby reducing corruption and red tapism.
- Taxes will be charged only at the time of sale in the new tax system.
- Apart from this, some essential items related to consumption, have been excluded from the perview of GST. As a result, the vulnerable people of the society will be benefitted from this.

Tax Related Important Terms

Tax Shifting Tax shifting is a kind of economic phenomenon in which the tax payer transfers the tax burdens to the purchaser or supplier.

Tax Havens It is a country or territory, where certain taxes are levied at a low rate or not at all. Individual and/or corporate entities can find it attractive to move themselves to areas with reduced or nil taxation level.

Tobin Tax Tobin tax was originally suggested by American economist and Nobel Prize winner James Tobin (1918-2002). This tax is also known as Robinhood tax. As described by him, the tax involves applying a small charge, (as little or less than 0.1%), on foreign currency transactions to protect countries from exchange-rate volatility caused by short term currency speculation.

Tax Evasion It is the illegal evasion of taxes by individuals, corporations and trusts. Tax evasion often entails taxpayers deliberately misrepresenting the true state of their affairs to the tax authorities to reduce their tax liability and includes dishonest tax reporting, such as declaring less income, profits or gains than the amounts actually earned or overstating deductions.

Tax Avoidance It refers to the use of legal means to avoid the payment of taxes. It is a legal practice in

which the taxpayers uses the loopholes of the tax laws to reduce their tax liability.

Department of Revenue in India

It is the apex body for tax administration. It functions under the Ministry of Finance. It came into existence by Central Board of Revenue Act, 1924. It has two separate bodies, namely.

1. **Central Board of Direct Tax (CBDT)** was formed by Central Board Revenue Act, 1963.
2. **Central Board of Indirect Tax and Customs (CBIC)** replaced the Central Board of Excise and Customs (CBEC) in 2017.

Direct Tax Code

The government aims to simplify the structure of direct tax laws in India into a single legislation through Direct Tax Code (DTC). It will replace the Income Tax Act, 1961, and other direct tax legislation like the Wealth Tax Act, 1957. The first draft of Direct Taxes Code Bill was released on 12th August, 2009 and then it was revised in 2014.

In 2017, Prime Minister Narendra Modi led government set up an expert committee to draft a new Direct Tax Code. The report of the task force on DTC was submitted on 19th August, 2019.

Direct Tax Vivad Se Vishwas Act, 2020

This Act provides a mechanism for speedy resolution of pending tax disputes related to direct taxes. It allows the taxpayers to settle cases pending before the communication (Appeals), Income Tax Appellate Tribunals (ITATs), Debt Recovery Tribunals (DRTs), High Court and Supreme Court.

Through the implementation of this Act, the government wants to solve 4.83 lakh pending direct tax cases worth ₹ 9 lakh crore.

GAAR

The General Anti-Avoidance Rule (GAAR) is an anti-tax avoidance law in India.

It is a set of rules used by the revenue authorities against aggressive tax planning for the objective of tax avoidance. It is mainly intended to prevent tax avoidance by taking the advantage of International tax treaties and laws.

GAAR was initially proposed in the Direct Tax Code, 2009. It came into effect on 1st April, 2013 and was again modified on 1st April, 2017. The Department of Revenue under the Ministry of Finance frame the rules and oversees the GAAR mechanism in India.

Committees on Tax Reforms

1. **Chelliah Committee** It was set up in 1991 under the Chairmanship of Prof. Raja Chelliah. The committee submitted its report in 1993 and most of the recommendations were included in the Budget 1993-94.
2. **Kelkar Committee** It was setup in 2002 by the Central Government, which submitted its report in the same year. The committee was headed by Prof. Vijay Kelkar. Most of its recommendation has been accepted in the last decade.
3. **MK Gupta Committee** It was setup in 2012 with the purpose of internalisation of common tax code, under goods and service tax.

Other Committees on Tax Reforms

Wanchu Committee	Direct tax
LK Jha Committee	Indirect tax
Rekha Committee	Indirect tax



QUESTION BANK

- 1.** Tax is a
 - (a) Voluntary Contribution
 - (b) Mandatory Contribution
 - (c) Yearly Contribution
 - (d) Monthly Contribution
 - (e) None of the above
- 2.** Main aim of collection of tax is
 - (a) for secure finance
 - (b) reduce economic inequalities
 - (c) for welfare
 - (d) for government activities
 - (e) for banking
- 3.** Which of the following taxes is not levied by the Union Government?
 - (a) Customs
 - (b) Corporate Tax
 - (c) Land Revenue
 - (d) Income Tax
 - (e) Surcharge on Income Tax
- 4.** Which of the following is/are indirect tax(es)?
 - (a) Custom Duty
 - (b) Excise Duty
 - (c) Sales Tax and Service Tax
 - (d) Both (a) and (b)
 - (e) All of the above
- 5.** Which of the following is/are direct tax(es)?
 - (a) Income Tax
 - (b) Gift Tax
 - (c) Wealth Tax
 - (d) Both (a) and (b)
 - (e) All of these
- 6.** A direct tax cannot be to other person.
 - (a) impact
 - (b) money burden
 - (c) incidence
 - (d) shifted
 - (e) transaction
- 7.** The income tax is collected under the income-tax Act, 1961 by
 - (a) RBI
 - (b) IRDAI
 - (c) SEBI
 - (d) CBDT
 - (e) President of India
- 8.** Income Tax in India was introduced in
 - (a) 1832
 - (b) 1845
 - (c) 1897
 - (d) 1860
 - (e) 1895
- 9.** Gift received from any person is taxable, if the aggregate value exceeds
 - (a) ₹ 50,000
 - (b) ₹ 40,000
 - (c) ₹ 45,000
 - (d) ₹ 55,000
 - (e) ₹ 66,000
- 10.** Wealth Tax was introduced in India in
 - (a) 1967
 - (b) 1965
 - (c) 1969
 - (d) 1957
 - (e) 1980
- 11.** A direct tax cannot be shifted to other person. Central direct taxes is/are
 - (a) Income tax
 - (b) Gift tax
 - (c) Corporate tax
 - (d) All of the above
 - (e) None of the above

[SBI PO 2019]
- 12.** Which of the following taxes has been abolished as per budget 2015?
 - (a) Customs duty
 - (b) Wealth tax
 - (c) Surcharge on Income tax
 - (d) Entertainment tax
 - (e) Service tax

[RBI Grade B 2015]
- 13.** The maximum amount of the total revenue earned by the Government of India comes from
 - (a) Income Tax
 - (b) Customs Duty
 - (c) Excise Duty
 - (d) Value Added Tax
 - (e) Corporate Tax
- 14.** Minimum Alternative Tax was introduced in India for the first time in the year
 - (a) 1988-89
 - (b) 1981-82
 - (c) 1992-93
 - (d) 2001-02
 - (e) 2005-06
- 15.** The Union Budget 2015-16 announced additional surcharge for the super rich with income of over ₹ 1 crore. At what rate will this surcharge be charged?
 - (a) 1%
 - (b) 2%
 - (c) 3%
 - (d) 4%
 - (e) 6%

[SBI PO 2015]

- 16.** is levied on commodities, which are imported or exported from India.
 (a) Excise duty
 (b) Custom duty
 (c) Central Value Added Tax (CENVAT)
 (d) Service Tax
 (e) Value Added Tax (VAT)
- 17.** Excise duty is the tax levied on
 (a) production of goods
 (b) import of goods
 (c) sale of goods
 (d) profit on sale of goods
 (e) income from other sources
- 18.** Which of the following duty was levied on the total property passing to the heirs on the death of a person?
 (a) Custom Duty (b) Estate Duty
 (c) Excise Duty (d) Wealth Tax
 (e) All of these
- 19.** Central Value Added Tax (CENVAT) was introduced in
 (a) 2000-01 (b) 2001-02
 (c) 2002-03 (d) 2003-04
 (e) 2006-07
- 20.** Modified Value Added Tax (MODVAT) was introduced in
 (a) 1986-87 (b) 1980-81
 (c) 1982-83 (d) 1981-82
 (e) 1990-91
- 21.** Service tax was introduced in India in the year [IBPS 2017]
 (a) 1993 (b) 1994 (c) 2000 (d) 2004
 (e) 2005
- 22.** Most of the Indirect Taxes are replaced by
 (a) CENVAT
 (b) VAT
 (c) Indirect Tax Code
 (d) Goods and Services Tax (GST)
 (e) None of the above
- 23.** Goods and Services Tax (GST) would replace which of the following taxes levied at present? [Indian Overseas 2011]
 (a) Income Tax
 (b) Corporate Tax
 (c) Capital Gains Tax
 (d) Value Added Tax (VAT)
 (e) All of the above
- 24.** Which one of the following items will be subsumed under the Goods and Services Tax of India?
 (a) Additional excise duties
 (b) Special additional custom duties
 (c) Additional surcharges and cesses
 (d) All of the above
 (e) None of the above
- 25.** Government of India implemented GST from
 (a) 1st May, 2016 (b) 1st April, 2016
 (c) 1st July, 2017 (d) 1st June, 2017
 (e) 1st June, 2018
- 26.** What is I in IGST?
 (a) Inter (b) Internal
 (c) Integrated (d) Indian
 (e) Impose
- 27.** GST fixed by union government in.... slabs
 (a) 3 (b) 4 (c) 8 (d) 9
 (e) 10
- 28.** Which one of the following correctly represents the GST slabs in India?
 (a) 5%, 10%, 20%, 30% (b) 5%, 12%, 18%, 21%
 (c) 0%, 5%, 10%, 20% (d) 0%, 12%, 18%, 21%
 (e) 5%, 12%, 18%, 28%
- 29.** The Goods and Services Tax (GST) proposed to introduced covers taxes like
 (a) Trade / Sale Tax (b) Service Tax
 (c) Service, Excise (d) Service, Excise, VAT
 (e) All of the above
- 30.** Which of the following statements is incorrect?
 (a) VAT is the neutral tax since it does not influence to organisation of production
 (b) VAT is easier to enforce than the sales tax to impose through cross-checking
 (c) GST consists of three components such as Central GST, State GST and Local GST
 (d) Central GST and State GST will apply to all transaction of goods and services
 (e) The Union Government of India passed the General Sales Tax in 1956
- 31.** According to GST Act, State taxes subsumed in GST is/are
 I. Central Sale tax
 II. Luxury Tax
 III. Taxes on advertisement

- (a) II and III
(c) I and II
(e) All of these
- (b) I and III
(d) Only III

32. As we all know, Government of India collects tax revenue on various activities in the country. Which of the following is a part of the tax revenue of the government?

[Corporation Bank 2011]

- I. Tax on Income
II. Tax on Expenditure
III. Tax on Property of Capital Asset
IV. Tax on Goods and Services

Select the correct answer using the codes given below

- (a) I and III
(c) I, III and IV
(e) None of these
- (b) II and IV
(d) All of these

33. Item(s) that is/are not included in any of the provision of the GST include

- (a) alcohol
(c) petrol
(e) None of these
- (b) crude oil
(d) All of these

34. Which of the following is called 'Robinhood Tax' and was in news during recent summit of G20 nations?

[RBI Grade B 2011]

- (a) Excise Duty
(b) VAT
(c) Goods and Services
(d) Tobin Tax
(e) None of the above

35. Which is not a tax related term?

- (a) Tax shifting
(c) Tax avoidance
(e) Tax evasion
- (b) Tax haven
(d) Taxscan

36. Which of the following is not a tax / duty levied by the Government of India?

- (a) Income Tax

- (b) Education Cess
(c) Good and Service Tax
(d) Corporation Tax
(e) Toll Tax

37. Which of the following bills presented in the Parliament will bring some changes in the existing tax regime? [Corporate Bank 2011]

- (a) Direct Taxes code (DTC) Bill
(b) Foreign Exchange Management Regulatory Bill
(c) Companies Amendment Bill
(d) Salaries and Perks for MPs Bill
(e) Finance Bill 2010-11

38. Direct Tax Code (DTC) Bill 2010 was introduced in Parliament to overcome the complications of

- (a) Wealth Tax and Gift Tax
(b) Excise Duties
(c) Custom Duties and Sales Tax
(d) All Direct Taxes
(e) None of the above

39. Choose the correct statements regarding GAAR.

- (a) GAAR means General Anti Avoidance rules
(b) GAAR was introduced by previous Finance Minister Mr Pranab Mukherjee
(c) GAAR will help in bringing transparency and efficiency in economic policy making and taxation
(d) All of the above
(e) None of the above

40. Service tax was introduced in India on the recommendation of

- (a) Kelkar Committee
(b) Dr Raja Chelliah Committee
(c) Dr Manmohan Singh Committee
(d) Dr Yashwant Sinha Committee
(e) Bimal Jalan Committee

Answers

1. (b)	2. (b)	3. (c)	4. (d)	5. (e)	6. (d)	7. (d)	8. (b)	9. (a)	10. (c)
11. (d)	12. (b)	13. (e)	14. (a)	15. (a)	16. (b)	17. (a)	18. (b)	19. (a)	20. (a)
21. (b)	22. (d)	23. (d)	24. (d)	25. (c)	26. (c)	27. (b)	28. (e)	29. (d)	30. (c)
31. (e)	32. (c)	33. (d)	34. (d)	35. (d)	36. (e)	37. (a)	38. (d)	39. (d)	40. (b)

PUBLIC FINANCE AND BUDGET

The study of government's revenue and expenditure is called **public finance**.

The boundaries of public finance in modern times is not limited to ways and means of government income and expenditure only, but it also studies public debt, financial administration and Fiscal Policy of the economy.

Division of Public Finance

Public finance can be divided into five sections which are as follows

1. **Public Revenue/Income** Under the theory of public revenue, we study alternative sources of state income. It discusses and analyse the comparative advantages and disadvantages of various forms of revenue and the principles which should govern the choice between them.
2. **Public Expenditure** Under the theory of public expenditure, we deal with various principles on the basis of which the direction of government expenditure is governed. Theory of public expenditure is a major tool for implementing welfare, growth stabilisation and other policies of the government.

3. **Public Debt** Theory of public debt deals with all the loans and other liabilities of the government and all the principles related with them.

4. **Financial Administration** All financial activities involving issues of financial administration including public budget, its passing, auditing and similar other matters.

5. **Economic Stability** Under the theory of economic stability, we study various policies and principles of finance to bring economic stability in the country. Fiscal policy of the government is studied under the theory of economic stability.

Fiscal Policy

Fiscal policy refers to the use of the government budget to affect the economy. This includes government spending and levied taxes. Governments typically use fiscal policy to promote strong and sustainable growth and reduce poverty.

It is the sister strategy to monetary policy through which a central bank influences a nation's money supply. So, it can be said that fiscal policy means government's plan for expenditure, revenues and

borrowing to finance fiscal deficit. The Budget division of the department of economic affairs in Ministry of Finance is the nodal body responsible for preparing the budget. A government deficit is a situation in which government expenditure is more than its revenue. It is classified into following types

- (i) **Fiscal Deficit** is the difference between what the government earns and its total expenditure.

$$\text{Fiscal deficit} = \text{Revenue receipts (Net tax revenue + Non-tax revenue)} + \text{Capital receipts} - \text{Total expenditure (Plan and Non-plan)}$$
- (ii) **Revenue Deficit** is the difference between the revenue receipt on tax and non-tax side and the revenue expenditure.
 Revenue expenditure is synonymous with consumption and non-development.

$$\text{Revenue deficit} = \text{Revenue expenditure} - \text{Revenue receipts}$$
- (iii) **Budgetary Deficit** considers only the difference between the total budgeted receipt and the expenditure. It was abolished in 1997.
- (iv) **Primary Deficit** is the difference between the fiscal deficit and the interest payment. The concept helps in assessing the progress of the government in its fiscal control efforts.

$$\text{Primary deficit} = \text{Fiscal deficit} - \text{Interest payments}$$
- (v) **Monetary Deficit** is the borrowing made from the RBI, through printing fresh currency. It is restored, when government cannot borrow from market.

Fiscal Responsibility and Budget Management (FRBM) Act, 2003

FRBM Act was enacted in August, 2003. It is seen as a major reform in the financial sector of the Indian economy. It make legal obligations for the government to pursue a prudent fiscal policy. Through this Act, the Central Government must ensure inter-generational equity and long-term macro-economic stability.

It can be achieved by sufficient revenue surplus and removing fiscal obstacles to monetary policy and effective debt management.

The (FRBM) Act was amended in 2018 and recommended the Union Government to target a fiscal deficit of 3% of the GDP in 2020, 2.8% of GDP in 2020-21 and to 2.5% of GDP by 2023.

Budget

Budget is an extensive account of the government's finances, in which revenues from all sources and expenses of all activities undertaken are aggregated.

Finance Minister presents the Union Budget every year on 1st of February in the Parliament that contains the Government of India's revenue and expenditure for one fiscal year, which runs from 1st April to 31st March.

Types of Budget in India

Following are the types of budget

1. **Traditional Budget** It is a type of budget which uses the income and expenses from the previous year or month to predict the next month or year's budget. A traditional budget is easy to create since it is meant to predict a future period of finances in relation to the previous period. In most cases though, the traditional budget usually ends up being too rigid.
2. **Performance Budget** It is a budget that reflects the input of resources and the output of services for each unit of an organisation. This type of budget is commonly used by the government to show the link between the funds provided to the public and the outcome of these services.
 The Government of India issued guidelines for the adoption of performance budgeting in all ministries, departments and state government with effect from 1973-74.
3. **Zero-Based Budgeting** It is a method of budgeting in which all budgetary allocations are set to nil at the beginning of a financial year. The Indian Government implemented zero based budgeting for the first time in 1986.
4. **Outcome Budgeting** This type of budgeting tries to ensure that budget outlays translate into concrete outcomes. It was first introduced in India, in 2005-06.
5. **Gender Budgeting** It is an application of gender main-streaming in the budgetary

process. It involves conducting a gender-based assessment of budgets, incorporating a gender perspective at all level of budgetary process and restructuring revenues and expenditures in order to promote gender equality. It came into effect in 2004-05.

General Types of Budget

Following are general types of budget

1. **Budget Deficit** A status of financial health in which expenditures exceed revenue. The term 'budget deficit' is most commonly used to refer to government spending rather than business or individual spending. When referring to accrued federal government deficits, the term 'national debt' is used.
2. **Single Budget** When a single budget is made for all departments and programmes, it is called a single budget. All items of income and expenditure are included in this budget. Single budget is used in UK and USA.
3. **Polymer Budget** When different budgets are made for different departments, it is known as polymer budget. This system is prevalent in France, Switzerland, Germany and other countries.
4. **Item Based Budget** In this type of budget department wise allocation is not done. This facilitates funds to be used in any head, but prior permission is to be taken.
5. **Supplementary Budget** It is prepared for emergency situations like natural calamities, decrease in revenue, etc.
6. **Interim Budget** It is prepared in case of special situations like elections, wars, natural calamities, etc. This is valid only for 6 months. Revenues are not specified and only expenditures are specified for any financial year in this budget.

Budget Fact File

- **RK Shanmukham Chetty** presented the first Budget of Independent India in 1947.
- **John Mathai** presented the first Budget of republic of India in 1950, this budget laid down the road map for the creation of Planning Commission.
- **Finance Minister Morarji Desai** has given Budget for the maximum number of times (10), followed by P Chidambaram, who has given 8 budgets.
- **CD Deshmukh** was the first Indian Governor of RBI to have presented the Interim Budget for the year 1951-52.
- **Mrs Indira Gandhi** is the only woman Prime Minister to hold the post of Finance Minister in 1969-71.
- The first such **mini-budget** was presented by TT Krishnamachari on 30th November, 1956, in form of fresh taxation proposals through Finance Bills, demanded by the prevailing domestic and international economic situation.
- **Ball budget** has been merged with union budget in 2017-18.
- **Nirmala Sitharaman** is the second woman Finance Minister to present the Budget in 2019.

Finance Commission

It is a constitutional body, Article 280 of the Constitution speaks about the provision of formation of the Finance Commission by the President.

The article says that Finance Commission is established for the purpose of allocation of certain resources of revenue between the Union and the State Governments.

The President shall within 2 years from the Commencement of this Constitution and thereafter at the expiration of every 5 years or at such earlier time as the President considers necessary, by order constitute a Finance Commission which shall consist of a Chairman and four other members to be appointed by the President.

15th Finance Commission

Former Planning Commission member **NK Singh** was appointed as the chairman of the 15th Finance Commission. Other members of the commission are former Economic Affairs Secretary Shaktikanta Das (Replaced by A N Jha) and former Chief Economic Adviser Ashok Lahiri, NITI Aayog member Ramesh Chand and Georgetown University professor Anoop Singh.

The commission will review the current status of the finance, deficit, debt levels, cash balances and fiscal discipline efforts of the union and the states. The duration of the 15th Finance Commission is 2021-26 for the full set of recommendation.

Recommendations of 15th Finance Commission

- The commission has reduced the vertical devolution, the share of tax revenues that the central shares with the states from 42% to 41%.
- The 1% decrease is to provide for the newly formed Union Territories of Jammu and Kashmir and Ladakh from the resources of the central government.
- The 15th Finance Commission used the 2011 census for allocating funds among states against the norm of considering the 1971 census. Other criterias for devolution of funds were income distance, Area, Forest and Ecology, Demographic Performance and Tax Effort.
- Tax effort has been used to reward states with higher tax collection efficiency. It has been computed as the ratio of the average per capita on tax revenue and the average per capital state GDP during the three-year period between 2014-15 and 2016-17.
- The commission highlighted some challenges with the implementation of the Goods and Services Tax (GST).

List of Finance Commissions

Finance Commission	Year of Establishment	Chairman	Operational Duration
First	1951	KC Neogy	1952-57
Second	1956	K Santhanam	1957-62
Third	1960	AK Chanda	1962-66
Fourth	1964	PV Rajamannar	1966-69
Fifth	1968	Mahavir Tyagi	1969-74
Sixth	1972	K Brahmananda Reddy	1974-79
Seventh	1977	JM Shelat	1979-84
Eighth	1983	YB Chavan	1984-89
Ninth	1987	NKP Salve	1989-95
Tenth	1992	Late Shri KC Pant	1995-2000
Eleventh	1998	AM Khusro	2000-05
Twelfth	2003	C Rangarajan	2005-10
Thirteenth	2007	Dr Vijay L Kelkar	2010-15
Fourteenth	2012	Yaga Venugopal Reddy	2015-20
Fifteenth	2017	NK Singh	2021-26*

(Separate recommendation for 2020-21 by N. K. Singh Committee)

Inflation

It is defined as a sustained increase in the general level of prices for goods and services. Inflation is attributed to the budget deficit financing. Inflation leads to huge decline in exports because prices of products and services becomes more costly in the global marketplace.

It is measured as an annual percentage increase. Inflation is the percentage change in the value of the Wholesale Price Index (WPI) on a year basis.

Causes of Inflation

The main causes of inflation are either excess aggregate demand (economic growth too fast) or cost push factors (supply side factors).

The demand-pull inflation can be caused by an expanding economy, increased government spending or overseas growth. Cost-push inflation is the decrease in the aggregate supply of goods and services stemming from an increase in the cost of production.

Other causes of inflation in India are

- Increase in public expenditure
- Deficit financing
- Erratic agricultural growth
- Agricultural price policy of government
- Upward revision of administered price
- Inadequate rise in industrial production

Calculation of Inflation in India

Inflation is usually measured based on certain indices. Broadly, there are two categories of indices for measuring inflation i.e., wholesale prices and consumer prices.

1. **Wholesale Price Index (WPI)** It is the index that is used to measure the change in the average price level of goods traded in wholesale market. In India, a total of 435 commodities data on price level is tracked through WPI. It is published by the Economic Advisor in the Ministry of Commerce and Industry. The base year for calculation of WPI in India is 2011-12.

2. **Consumer Price Index (CPI)** It is a statistical time-series measure of a weighted average of prices of a specified set of goods and services purchased by consumers. It is a price index that tracks the prices of a specified basket of consumer goods and services, providing a measure of inflation. RBI uses CPI or retail inflation as a key measure of inflation to set the monetary and credit policy. The CPI (Urban Non-manual Employees) is published by National Statistics Office (NSO) under the Ministry of Statistics and Program implementation with the base year 2012. Other variant of CPI includes CPI Industrial Workers (CPI-IW), CPI for Agricultural Labourers (CPI-AL) and CPI for Rural Labourer (CPI-RL).

Important Terms Related to Inflation

1. **Money Deflation** When the overall price level decreases so that inflation rate becomes negative, it is called deflation. It is the opposite of the often encountered inflation.
2. **Monetary Reflation** A Fiscal or Monetary Policy is designed to expand a country's output and curb the effects of deflation. Reflation policies can include reducing taxes, changing the money supply and lowering interest rates. The term reflation is also used to describe the first phase of economic recovery after a period of contraction.
3. **Stagflation** Stagflation, a portmanteau of stagnation and inflation, is a term used in economics to describe a situation where the inflation rate is high, the economic growth rate slows down and unemployment remains steadily high. It raises a dilemma for economic policy since actions designed to lower inflation may exacerbate unemployment and vice versa.
4. **Devaluation of Money** It is decided by the government issuing the currency and unlike depreciation, is not a result of non-governmental activities. One reason a country

may devalue its currency is, to combat trade imbalances. Devaluation causes a country's exports to become less expensive, making them more competitive in the global market. This in turn, means that imports are more expensive, making domestic consumers less likely to purchase them.

5. **Recession** It is a slow down or a massive contraction in economic activities. A significant fall in spending generally leads to recession. Such a slow down in economic activities may last

for some quarters, thereby completely hampering the growth of an economy. In such a situation, economic indicators such as GDP, corporate profits, employments etc., fall.

6. **Deflation** It is general decline in prices for goods and services, typically associated with a contraction in the supply of money and credit in the economy. During deflation, the purchasing power of currency rises over time deflation depression aggregate demand because of the expectation effect.

QUESTION BANK

1. The study of government's revenue and expenditure is called

(a) public finance (b) public debt
(c) economic stability (d) budget deficit
(e) interim budget

2. Study of the alternative sources of state income

(a) public revenue (b) public debt
(c) economic stability (d) WPI
(e) CPI

3. Public debt deals with all the loans and other of the government.

(a) public revenue (b) economic stability
(c) liability (d) income
(e) None of these

4. It is a part of public finance.

[RBI Assistant 2011]

(a) Public expenditure
(b) Financial administration
(c) Public debt
(d) All of the above
(e) None of the above

5. It is sister strategy to monetary policy.

(a) Public Debt (b) Public Revenue
(c) Budget Deficit (d) Interim Budget
(e) Fiscal Policy

6. Which of the following organisations/agencies is actively involved in drafting the Union Budget of India?

[Andhra Bank 2011]

(a) The Planning Commission
(b) The Comptroller and Auditor General
(c) Administrative Staff of the Lok Sabha
(d) Ministry of Finance
(e) Ministry of Rural Development

7. Fiscal deficit is

[IBPS 2013]

(a) total income less government borrowing
(b) total payments less total receipts
(c) total payments less capital receipts
(d) total expenditure less total receipts excluding borrowing
(e) None of the above

8. Government deficits can be done on the following basis.

(a) Fiscal deficit
(b) Revenue deficit
(c) Budgetary deficit
(d) All of the above
(e) None of the above

9. Budgetary deficit was abolished in

(a) 1990 (b) 1993
(c) 1997 (d) 2000
(e) 2009

10. Primary deficit is the difference between the fiscal deficit and

- (a) interest payments
- (b) revenue receipts
- (c) revenue expenditure
- (d) capital receipts
- (e) total expenditure

11. When there is a difference between all receipts and expenditure of the Government of India, both capital and revenue, it is called

[IBPS PO/MT 2012]

- (a) Revenue Deficit
- (b) Budgetary Deficit
- (c) Zero Budgeting
- (d) Trade Gap
- (e) Balance of payment problem

12. What is a fiscal deficit? [SBI PO 2017]

- (a) It is a gap between the values of exports and imports
- (b) It is a gap between exports and imports minus external borrowings
- (c) It is a gap between total expenditure and total receipts of the government
- (d) It is a gap between total receipts minus external borrowings
- (e) None of the above

13. As we all know, Government of India pays special emphasis on the management of fiscal deficit. What is fiscal deficit?

- (a) The gap between projected or estimated GDP and actual GDP
- (b) The gap between the total number and value of the currency notes issued by the RBI uptill now over the number and value of those which are in actual circulation
- (c) The gap between the actual borrowings of the Government of India and the expected expenditure of which provision is made in the budget
- (d) Excess of government's disbursement comprising current and capital expenditures over its current receipts (tax/non-tax receipts)
- (e) None of the above

14. What is the meaning of R in FRBM?

[IBPS 2014]

- (a) Reserve
- (b) Revenue
- (c) Responsibility
- (d) Rate
- (e) Republic

15. Expand the term FRBM.

[Indian Overseas Bank 2011]

- (a) Financial Responsibility and Business Management
- (b) Fiscal Responsibility and Business Management
- (c) Financial Responsibility and Budgetary Management
- (d) Fiscal Responsibility and Budget Management
- (e) Formal Responsibility and Business Management

16. FRBM Act was enacted in [IBPS 2017]

- (a) 2003
- (b) 2005
- (c) 2011
- (d) 2013
- (e) 2014

17. Name the Finance Minister of India who had presented the maximum number of Union Budget.

- (a) Morarji Desai
- (b) Pranab Mukherjee
- (c) P Chidambaram
- (d) Manmohan Singh
- (e) CD Deshmukh

18. Assessment of Government deficits can be done on following basis.

- I. Fiscal Deficit
- II. Revenue Deficit
- III. Non-Plan Deficit

Select the correct answer using the codes given below.

- (a) Only I
- (b) Only II
- (c) Only III
- (d) All of these
- (e) Both I and II

19. Union budget is always presented first in

- (a) the Lok Sabha
- (b) the Rajya Sabha
- (c) joint session of the Parliament
- (d) meeting of the Union Cabinet
- (e) the State Assemblies

20. Duration of Union budget in India is

[IBPS 2017]

- (a) 1st April to 31st March
- (b) 31st March to 1st April
- (c) 1st March to 28th February
- (d) 1st January to 31st December
- (e) 1st February to 31st January

- 21.** The Indian Government implemented zero based budgeting for the first time in
 (a) 1950 (b) 1960
 (c) 1986 (d) 1999
 (e) 2005
- 22.** Outcome budgeting was first introduced in India in
 (a) 1990-91 (b) 1999-2000
 (c) 2005-06 (d) 2007-08
 (e) 2011-12
- 23.** Gender budgeting came into effect in
 (a) 2004-05 (b) 2006-07
 (c) 2009-10 (d) 2011-12
 (e) 2013-14
- 24.** Which of the following is the target fixed for maintaining fiscal deficit in the Union Budget of India? [Allahabad Bank 2011]
 (a) 4.6% of total budget
 (b) 4.6% of GDP
 (c) 3.6% of total budget
 (d) 3.6 of GDP
 (e) None of the above
- 25.** Which of the following is the target fixed for fiscal deficit by 2023?
 (a) 3% of GDP (b) 3.5% of GDP
 (c) 2.5% of GDP (d) 4% of GDP
 (e) 2% of GDP
- 26.** Polymer budget is used in
 (a) France (b) Switzerland
 (c) Germany (d) All of these
 (e) None of these
- 27.** Interim budget is valid for [IBPS 2016]
 (a) 2 months (b) 6 months
 (c) 1 year (d) 2 years
 (e) 5 years
- 28.** Who proposed the first Budget of Republic of India?
 (a) John Mathai
 (b) C D Deshmukh
 (c) J L Nehru
 (d) Sardar Patel
 (e) Morarji Desai
- 29.** Rail budget has been merged with union-budget in
 (a) 1990-91 (b) 1999-2000
 (c) 2011-12 (d) 2017-18
 (e) 2020-21
- 30.** Finance Commission of India is formed by
 (a) PM of India
 (b) Finance Minister
 (c) President of India
 (d) Lok Sabha
 (e) RBI
- 31.** Consider the false statements regarding the 15th Finance Commission. [SBI Clerk 2019]
 (a) Shri AN Jha joined this commission as its member in place of Shri Shaktikanta Das
 (b) The commission was constituted by a Presidential Order in November, 2017
 (c) Aim of commission to decide the formula for devolution of revenue between Centre and States
 (d) It is for a period of 5 years-2021 to 2026
 (e) Shri YV Reddy is a member of this commission
- 32.** Who was appointed as the Chairman of the 15th Finance Commission?
 (a) C Rangarajan (b) YB Chavan
 (c) NK Singh (d) VL Kelkar
 (e) KC Neogy
- 33.** Inflation can defined as
 (a) a persistent rise in general price level
 (b) a persistent fall in general price level
 (c) an increase purchasing power
 (d) increase in value of money
 (e) decrease in money
- 34.** Inflation is caused by
 (a) increase in supply of goods
 (b) increase in cash with the government
 (c) decrease in money supply
 (d) increase in money supply
 (e) All of the above
- 35.** During inflation
 (a) exports becomes more expensive
 (b) exports becomes more cheap
 (c) imports becomes more expensive
 (d) surplus balance of payment
 (e) All of the above

150 BANKING AWARENESS

36. Which of the following is not a reason for demand pull inflation?

- (a) Shortage of consumer goods
- (b) More exports
- (c) Economic growth
- (d) Less import
- (e) More exports and less imports

37. When the rate of inflation increases

[IBPS PO/MT 2011]

- (a) purchasing power of money increases
- (b) purchasing power of money decreases
- (c) value of money increases
- (d) purchasing power of money remains unaffected
- (e) amount of money in circulation decreases

38. What is W in WPI?

[IBPS 2011]

- (a) Wholesale
- (b) Work
- (c) Weighted
- (d) Week
- (e) None of these

39. Deflation depression aggregate demand because of

[SBI PO 2019]

- (a) the wealth effect
- (b) the expectations effect
- (c) the income effect
- (d) the consumption effect
- (e) All of the above

40. Recession is

- (a) rise in the cost of production, especially because of wage increase
- (b) reduction in production and employment for want of sufficient demand for goods
- (c) increase in money supply without a matching increase in production
- (d) All of the above
- (e) None of the above

Answers

1. (a)	2. (a)	3. (c)	4. (d)	5. (e)	6. (d)	7. (d)	8. (d)	9. (c)	10. (a)
11. (a)	12. (e)	13. (d)	14. (c)	15. (d)	16. (a)	17. (a)	18. (e)	19. (a)	20. (a)
21. (c)	22. (c)	23. (a)	24. (b)	25. (c)	26. (d)	27. (b)	28. (a)	29. (d)	30. (c)
31. (e)	32. (c)	33. (a)	34. (e)	35. (a)	36. (a)	37. (b)	38. (a)	39. (b)	40. (b)

INDIAN ECONOMY

An economy consists of the production, trade or distribution and consumption of limited goods and services by different agents in a given geographical location.

The economic agents can be individual, businesses, organisations or governments.

Types of Economy

1. **Capitalist Economy** It is an economic system characterised by private ownership of means of production, minimum governmental interference and strict enforcement of property rights.

It is also known as market economy as production of goods and services is based on supply and demand. In the United States of America, the role of the government is minimal and thus, it is the best example of market economy.

2. **Socialist Economy** In this type of economy all important decisions regarding production, exchange and consumption of goods and services are made by the government.

As all important decisions in socialist type of economy is taken by government, it is also referred as centrally planned economy. Soviet Union in the 20th century was an example of socialist economy.

3. **Mixed Economy** This type of economy consists of a combination of public sector and private sector units.

A mixed economic system is an economic system that features characteristics of both capitalism and socialism.

It basically incorporates government involvement in market based economy. Examples of this type of economy are India, Russia and UK, etc.

4. **Welfare Economy** It analyses the total good or welfare i.e., achieves at a current state as well as how it is distributed. Amartya Sen received the Nobel Prize in Economic Science in 1998 for his work in welfare economics.

5. **Green Economy** Green economy is an economy or economic development model based on sustainable development and knowledge of ecological economics.

Sectors of Economy

1. Primary Sector

This sector is involved in the extraction or harvesting of products from the Earth. It includes the production of raw materials and basic foods. Some of the activities included in this sector are agriculture, mining (metals, minerals and ores mining), forestry and fishing, etc.

In the financial year 2020-21, this sector contributed 21.82% to the GDP of India.

2. Secondary Sector

The secondary sector of the economy is involved in the production of finished goods. All manufacturing, processing and construction activities lie in this sector. It is the second main source of National Income of India. Metal working and smelting, automobile production, textile production, construction and shipping, etc. are activities associated with secondary sector. In the financial year 2020-21 it contributed 24.29% to the GDP of India.

3. Tertiary Sector

The tertiary sector of the economy is also called the service sector. It is the main source of National Income of India.

Some of the activities, which are part of this sector are retail, banking, tourism, entertainment, transport and communication, trade, etc. It contributed 53.89% to the Indian GDP in the financial year 2020-21.

Economy of India

The economy of India is the 6th largest in the world by nominal GDP and the **3rd largest** by Purchasing Power Parity (PPP).

On a per capita income basis, India ranked **140th** by nominal GDP and **122nd** by GDP (PPP) in 2021, according to the IMF.

Majority of population (approx 50%) in India is still dependent on agricultural sector.

National Income

It is the net result of all economic activities of any country during a period of one year and is valued in terms of money. It is the total amount of money earned by a nation's people and businesses. For calculating National Income (NI) of a country its Gross Domestic Product (GDP) is added with net factor income from abroad.

This measures the productive power of an economy in a given period to turn out goods and services for final consumption. The sale and purchase of second hand goods, transactions in stock market and transfer payments are not included in estimates of National Income. In India, National Income estimates are related with the financial year (1st April to 31st March).

History of National Income

In 1868, the first attempt for calculation of NI was made by **Dadabhai Naoroji** in his book 'Poverty and Un-British Rule in India'.

He estimated the per capita annual income to be ₹ 20. The first scientific attempt to measure national income in India was made by **Prof. VKRV Rao** in 1931-32.

He divided the Indian economy into 13 sectors.

In 1949, National Income Committee under the Chairmanship of **Prof. PC Mahalanobis** was constituted. The other members of this committee were Prof. VKRV Rao and Prof. DR Gadgil.

National Statistical Commission (NSC) was setup on 1st June, 2005, for promoting statistical network in the country on the recommendation of **C. Rangarajan Commission**.

Concepts of National Income

National Income can be measured by GND, GDP, GNI, NNP, NNI and per capita income. GNP and per capita income, are considered as the most standard measure of economic development.

Concepts of national income are as follows

- **Gross Domestic Product (GDP)** It is the money value of all the final goods and services produced in the domestic territory of a country during the given time (a year). In GDP, income generated by foreigners in a country is included, but income generated by nationals of a country outside the country is not included.

$$\text{GDP} = \text{Consumption (C)} + \text{Investment (I)}$$

$$+ \text{Consumption Expenses (G)}$$

$$\text{GDP (Factor Cost)} = \text{GDP} - \text{Indirect Taxes}$$

$$+ \text{Subsidies}$$

- **Gross Value Added (GVA)** It is a measure of the value of goods and services produced in an area, industry or sector of an economy. It is helpful in calculating the final output of the country by deducting the impact of taxes and subsidies.

- **Gross National Product (GNP)** It is a monetary value of all final goods and services produced by the residents of a country in a year.

$GNP = GDP + \text{Income generated by nationals of country outside the country (X)} - \text{Income generated by foreigners in the country (M)}$

- **Net National Product (NNP)** It is the value of GNP after deducting depreciation of plant and machinery.

$$NNP = GNP - \text{Depreciation}$$

- **Personal Income (PI)** It is the amount of money collectively received by the inhabitants of a country. Sources of personal income include money earned from employment, dividends and distributions paid by investments, rents derived from property ownership and profit sharing from businesses. It is generally subject to taxation and is considered as a part of National Income.

- **Disposable Personal Income (DPI)** The persons will have to pay personal tax on personal income. Any income remaining out of personal income after the payment of personal tax and some other fines is termed as DPI.

$$DPI = \text{Personal income} - \text{Personal tax (Income tax)} + \text{Subsidies}$$

- **Real National Income (RNI)** It is the actual quantity of goods and services produced. Real National Income growth refers to National Income growth adjusted for inflation.

$$NNP = GNP - \text{Consumption of capital stock}$$

Methods of Measuring National Income

National income can be calculated by three methods which are as follows

1. **Production Method** Net value of final goods and services produced in a country during a year is obtained, which is called total final product.

Under this method, the net contribution at every stage of production/manufacturing is

used to calculate national income. This is referred as a value addition concept.

2. **Income Method** In this method, a total of net income earned by working people in different sectors and commercial enterprises is obtained. Incomes of both categories of people i.e., paying taxes and not paying taxes are added to obtain national income.

By income method, National Income is obtained by adding receipts as total rent, total wages, total interest and total profit.

3. **Consumption Method** It is also called expenditure method. Income is either spent on consumption or saved. Hence, National Income is the addition of total consumption and total savings. In India, a combination of production method and income method is used for estimating National Income.

Terms Related to National Income

- **Market Price** It refers to the actual transacted price and it includes indirect, direct taxes such as excise duty, VAT, GST, Service Tax, Custom duty, etc. but it excludes government subsidies.
- **Factor Cost** It means the total cost of all factors of production consumed or used in producing goods or services. It includes government grants and subsidies but excludes indirect tax.
- **Purchasing Power Parity (PPP)** It refers to the adjustment to be made in the value of money in a country so that identical goods cost identical money in a particular currency across all countries. Per capita income should be measured in terms of PPP to reflect the actual standard of living in a country.

Organisations Related to National Income

The Indian organisations related to NI are as follows

1. **Ministry of Statistics and Programme Implementation (MoSPI)** The Ministry of Statistics and Programme Implementation (MoSPI), is a Ministry of Government of India concerned with coverage and quality aspects of statistics released. The surveys conducted by the Ministry are based on scientific sampling methods.

MoSPI came into existence as an independent Ministry on 15th October, 1999 after the merger of Department of Statistics and Department of Programme Implementation.

2. **National Statistical Office (NSO)** The government has merged the CSO and NSSO under MoSPI into a single entity on 23rd May, 2019. The new merged entity has been named the National Statistical Office (NSO) and will continue to be headed by the secretary of MoSPI. It is responsible for conducting large scale sample surveys in diverse fields on all India basis.
3. **National Sample Survey Organisation (NSSO)** It was setup in 1950 as a permanent survey organisation to conduct national sample surveys to assist in socio-economic planning and policy-making.
It was recognised in 1970, by bringing together all aspects of survey work under a single agency known as NSSO. It under takes the field work of annual survey of industries in the whole country.
4. **Central Statistical Organisation (CSO)** For coordination of statistical activities of the different Central Ministries and the State Governments and for the promotion of statistical standards, the **Central Statistical Organisation (CSO)** was created in May, 1951. CSO prepares national accounts, compiles and publishes industrial statistics and conducts economic census and surveys. It is one of the two wings of the NSO alongwith NSSO, responsible for coordination of statistical activities in the country and for evolving and maintaining statistical standards.

Economic Growth

Economic growth is conventionally measured as a percentage increase in GDP or GNP or per capita NDP during a year. Per capita NDP is the most appropriate measure of economic growth. The base year for calculating key economic growth is 2011-12.

Economic Development

Economic development is the development of economic wealth of countries, regions or communities for the well being of their inhabitants.

It is the process whereby simple, low income national economies are transformed into modern industrial economies. Although it is sometimes used as synonym for economic growth, but it is employed to describe a change in a country's economy involving quantitative and qualitative improvements.

Measurement of Economic Development

The economic development of the country is also measured by taking health, education, living standard and other related factors of inhabitant into account. Some of the significant indexes developed to measure economic development are given below

Human Development Index (HDI)

The United Nations Development Programme (UNDP) introduced the HDI in its first Human Development Report (HDR) prepared under the stewardship of **Mahbub-ul-Haq** and Indian economist **Amartya Sen** in 1990.

It is a standard means of measuring well being. HDI measures the average achievements in a country in three basic dimensions of the human developments i.e., a long and healthy life, access to knowledge and a decent standard of living. HDI ranks countries in relation to each other on a scale of 0 to 1.

The three key dimensions used to measure Human Development Index (HDI) of any country is given below

1. **Life Expectancy** It measures the life expectancy of all the inhabitants of the country at birth. A long and healthy life is considered as most the important component of HDI.
2. **Educational Attainment** It is measured on two levels, the mean years of schooling for residents of a country and the expected year of schooling that a child has at the average age for starting school.

3. **Standard of Living** It is calculated by Gross National Income (GNI) per capita based on Purchasing Power Parity (PPP).

Other Indexes of HDR

Other three Indexes of Human Development Reports are as follows

1. **Inequality-adjusted Human Development Index (IHDI)** It combines a country's average achievements in health, education income with how those achievements are distributed among country's population. IHDI equals HDI, when there is no inequality across people, but is less than HDI as inequality rises and can be expressed in percentage.
2. **Gender Inequality Index (GII)** GI is built on the same framework as the IHDI. The GI measures gender inequalities in three important aspects of human development i.e., reproductive health measured by maternal mortality ratio and adolescent birth rates, empowerment and economic status expressed as labour market participation. It ranges from 0, which indicates that women and men fare equally, to 1 which indicates that women fare as poorly as possible in all measured dimensions.
3. **Multidimensional Poverty Index (MPI)** It was developed in 2010, by Oxford Poverty and Human Development Initiative and the UNDP to determine poverty beyond income based list. The index uses the same three dimensions as the Human Development Index such as health, education and standard of living. These are measured using 10 indicators.

Indicators of MPI

Dimensions	Indicators
Health	Child mortality, Nutrition
Education	Years of schooling, Children enrolled
Living Standards	Cooking fuel, Toilet, Water, Electricity, Floor and Assets

4. **Physical Quality of Life Index (PQLI)** These indicators reflected that economically less

developed countries are simply underdeveloped versions of industrialised countries.

Three component indicators of PQLI are as follows

- Life expectancy
- Infant mortality rate
- Basic literacy

5. **Gross National Happiness (GNH)** It attempts to measure quality of life in a more holistic manner than just an economic indicator like GDP. The four pillars of GNH are promotion of sustainable development, preservation and promotion of cultural values, conservation of natural environment and establishment of good governance.
6. The term GNH was coined in 1972, by **Bhutan's King Jigme Singye Wangchuck**. GNH value is proposed to be an index function of the total average per capita of the following measures
 - Economic wellness
 - Environmental wellness
 - Physical wellness
 - Mental wellness
 - Workplace wellness
 - Social wellness
 - Political wellness
7. **Global Hunger Index (GHI)** It is a multi-dimensional statistical tool used to describe the state of country's hunger situation.

The index was adopted and further developed by International Food Policy Research Institute (IFPRI) and was first published in 2006. The GHI combines four equally weighted indicators.

- (i) The proportion of undernourished as a percentage of the population.
- (ii) The proportion of children under the age of 5 suffering from wasting.
- (iii) The proportion of children under the age of 5 suffering from stunting.
- (iv) The mortality rate of children under the age of 5.

8. **Human Poverty Index (HPI)** The UNDP introduced the Human Poverty Index. It is prepared on the basis of dimensions used by HDI, which are life expectancy, knowledge and a decent living standard.

The index is calculated annually by the UNDP for all countries according to the availability of statistical data. It is prepared in two forms, depending on whether it is a developing (HPI-1) or an industrialised economy (HPI-2).

9. **Gender Development Index (GDI)** It was introduced in 1995 in the Human Development Report written by the United Nations Development Programme (UNDP).

It highlights inequalities in areas of long and healthy life, knowledge and a decent standard of living between men and women.

10. **National Prosperity Index (NPI)** The Prosperity Index goes beyond GDP to measure countries' success against a broad set of metrics covering areas such as health, education, opportunity, social capital, personal freedom and more.

The prosperity of a Nation is assessed by three important factors. They are discussed below

- Annual growth rate of GDP
- Improvement in quality of life of the people, particularly those living below the poverty line
- The adoption of a value system derived from civilisational heritage in every walk of life that is unique to India

Economic Planning

Economic planning, refers to adoption of long term plans of the government of India to develop and coordinate the economy with efficient utilisation of resources. Planning Commission (now, NITI Aayog) defines economic planning as the utilisation of country's resources for developmental activities in accordance with national priorities.

It is a consciously and judiciously carried out process for optimum utilisation of existing resources in order to fulfil some well defined objectives.

NITI Aayog

- NITI Aayog or National Institution for Transforming India Aayog came into existence on 1st January, 2015.
- It is a policy-making think-tank of the government that replaced Planning Commission and aims to involve states in economic policy-making, which will be providing strategic and technical advice to the Central and the State Government.

Basic Structure of NITI Aayog

Chairperson	Prime Minister
Governing Council	Its members are Chief Minister and Administrators of the Union Territories
Special Invitees	Experts, Specialists and Practitioners with domain knowledge (nominated by Prime Minister)
Vice-President	Appointed by the Prime Minister
Full-time Members	Five
Part-time Members	Two ex-officio members and university teacher
Ex-officio Members	Four Central Ministers
CEO	Secretary level officer from centre, who will be appointed for a fixed term

15 Year Vision Document in Place of Five Year Plan

The first 15 year vision document will come into effect from 2017-18 after the end of the 12th Five Year Plan. It will be formulated with the central objective of eradication of poverty. It will come along with a 7 year National Development Agenda which will lay down the programmes, schemes and strategies to achieve a long-term vision. The long Vision Document (Perspective plan) will comprise of three year mass economic frameworks.

National Development Council

It plays a vital role in the process of Indian planning and development. The National Development Council (NDC) was constituted on 6th August, 1952. The National Development Council held its first meeting in November, 1952.

Population Census of India

The first official census in India was conducted in **1872**, however the first sequential census was started in 1881 by **Viceroy Lord Rippon**. Since then, after every ten years the census is undertaken by the Government of India.

The year 1911-21 is a year of **great divide** in the demographic history of India when mortality started to decline leading to acceleration in the rate of population (Average Annual Exponential Growth Rate in 1921 was -0.03%).

Census of India, 2011

Census is useful for the formation of development policies, plan and demarcating constituencies of election. The Census of India has been conducted 15 times, as of 2011.

Census 2011 was released in New Delhi on 31st March, 2011 by Union Home Secretary **GK Pillai** and Registrar General and Census Commissioner C Chandramouli.

The Census 2011, was the 15th National census of the country. The census has covered 28 States and 7 Union Territories, 640 districts, 5767 tehsils, 7933 towns and more than 6 lakh villages. The motto of Census 2011 was "Our census, Our future".

Census 2011 took place before the creation of Telangana, thus census provides data for 28 states only. It may be noted that all the States and Union Territories have shown an increase in literacy rate during 2001-2011.

India has the second largest population of older (60+) persons in the world.

India	Census 2011
Total population	121,08,54,977
Males	623.7 million (51.54%)
Females	586.46 million (48.46%)
Population of 0-6 age group	16,44,78,150 (13.58%)
Population density (per sq km)	382

India	Census 2011
Literacy	73.0% (Male-80.9% and Female-64.6%) (Highest in Kerala)
Decadal Growth Rate	18,14,55,986 (17.7%)
Population Increase (2001-2011)	181 million
Sex Ratio	943 : 1000

Role of Aadhar in Population Census

Aadhar is a 12 digits unique number, which is issued by Unique Identification Authority of India (UIDAI) to residents of India on a voluntary basis.

The number is generated randomly and is not based on any classification. The number is linked to the basic biometric information of the person, including photograph, iris and fingerprints.

UIDAI (Unique Identification Authority of India)

- UIDAI is an attached office under the then Planning Commission of India, which was set-up in January, 2009, to issue unique identify numbers to people in the country and own and operate the Aadhar number database on an on-going basis.
- The agency is headed by a chairman, who holds a cabinet rank. The first Chairman of UIDAI was Nandan Nilekani, former Co-chairman of Infosys technologies.

Agricultural Sector of India

Agriculture is the primary industry in India. The agriculture sector of India has occupied almost 43% of India's geographical area and over 58% of the rural households depend on agriculture as their principal means of livelihood.

As per the NSSO, in 2011-12, the share of agriculture in employment was 48.9%.

Green Revolution

- Green Revolution in India refers to the period when Indian agriculture was converted into an industrial system due to the adoption of modern methods and technology such as the use of High Yielding Variety (HYV) seeds, tractors, irrigation facilities, pesticides and fertilisers.

- It was launched in the year 1966 and was the brainchild of Norman Borlaug, though in India, it was made successful by Dr. MS Swaminathan.
- The term 'Green Revolution' was coined by Dr. William Gaud. The green revolution was successful in increasing the production and productivity of cereal crops like wheat and rice in Punjab, Haryana and Western Uttar Pradesh.

Public Distribution System (PDS)

- It is an Indian Food Security System established by the Government of India under Ministry of Consumer Affairs, Food and Public Distribution managed jointly by State Governments in India.
- It distribute subsidised food and non-food items to India's poor. Major commodities distributed

include staple foodgrains, such as wheat, rice, sugar and kerosene, through a network of Public Distribution System (PDS) established in several states across the country.

One Nation One Ration Card Scheme

- One Nation, One Ration Card is a government scheme to make sure that no citizen sleeps hungry.
- It was launched on 1st June, 2020 under the National Food Security Act (NFSA) 2013.
- It is based on the technology involving details of beneficiaries' ration card, Aadhaar number and electronic Point of Sale (ePoS).
- It will enable migrant workers and their family members to buy subsidised ration from any fair price shop in the country.

QUESTION BANK

- The economic agents can be
 - individual
 - businesses
 - organisation
 - government
 - All of these
- The role of government is minimal in
 - Capitalist economy
 - Socialist economy
 - Mixed economy
 - Welfare economy
 - Green economy
- Mixed economy means [IBPS PO 2011]
 - co-existence of small and large industries
 - promoting both agriculture and industries in the economy
 - co-existence of public and private sectors
 - co-existence of the rich and the poor
 - existence of wholesale and retail markets
- India is the example of [IBPS 2011]
 - Capitalist economy
 - Socialist economy
 - Mixed economy
 - Real economy
 - None of these
- Who amongst the following is a Nobel Laureate in Economics? [SBI Associates 2012]
 - Kaushik Basu
 - Subir Gokarn
 - Dr Amartya Sen
 - Montek Singh Ahluwalia
 - C Rangarajan
- Which of the following is a major concept frequently referred in the economic literature of Dr Amartya Sen, the Nobel Prize winning economist?
 - Positive Freedom
 - Corporate Ethics
 - Capability to Function
 - Negative Freedom
 - Welfare Economics
- Which sector of Indian Economy contributes largest to the gross national product?
 - Primary sector
 - Secondary sector
 - Tertiary sector
 - Public Sector
 - None of these

- 8.** Which one of the following is the correct sequence (highest to lowest) of contribution to gross domestic product in India by the various sectors of the economy in last 10 years?
- Agriculture-Industry-Service
 - Agriculture-Service-Industry
 - Service-Agriculture-Industry
 - Service-Industry-Agriculture
 - None of the above
- 9.** The main source of National Income of India is
- service sector
 - agriculture
 - industrial sector
 - trade sector
 - None of the above
- 10.** The term National Income represents
- Gross National Product (GNP) at market prices minus depreciation
 - Gross National Product (GNP) at market prices minus depreciation plus net factor income from abroad
 - Gross National Product (GNP) at market prices minus depreciation and indirect taxes plus subsidies
 - Gross National Product (GNP) at market prices minus net factor income from abroad
 - None of the above
- 11.** Per capita income is obtained by dividing National Income by
- total population of the country
 - total working population
 - area of the country
 - volume of the capital used
 - None of the above
- 12.** Which of the following is not included in National Income Accounts?
- Second hand goods
 - Transaction in stock markets
 - Transfer payments
 - All of the above
 - None of the above
- 13.** Gross Domestic Product (GDP) is defined as the value of all
- goods produced in an economy in a year
 - goods and services in an economy in a year
 - final goods produced in economy in a year
 - final goods and services produced in an economy in a year
 - None of the above
- 14.** In economic terms, total market value of all final goods and services produced in a country in a given year is known as
- [RBI Grade B 2011]
- GNI
 - GDP
 - Inflation
 - PPP
 - Wealth of a nation
- 15.** GDP at factor cost is
- GDP minus indirect taxes plus subsidies
 - GNP minus depreciation allowance
 - NNP plus depreciation allowance
 - GDP minus subsidies plus indirect taxes
 - None of the above
- 16.** Which of the following is one of the measures of economic growth of a country?
- [RBI Grade B 2011]
- Volume of direct investment made by foreign countries
 - Number of companies listed on the stock exchanges
 - Gross domestic product of the nation
 - Number of foreign nationals working in a country
 - All of the above
- 17.** What is Gross Domestic Product?
- It is the cost of production of all final goods and services made in the country
 - It is the cost of services made within the borders of a country in a year
 - It is the market value of all final goods and services made in the country
 - It is the market value of all final goods and services made within the borders of a country in a year
 - None of the above
- 18.** Which one of the following the most appropriate method to measure the economic growth of a country?
- [RBI Assistant 2014]
- National Income
 - Net National Product
 - Gross Capital Formation
 - Gross Domestic Product
 - Personal Income

- 19.** In any year, real GDP
 (a) might be greater or less than nominal GDP
 (b) will always be greater than nominal GDP
 (c) always equals to nominal GDP
 (d) must always be less than nominal GDP
 (e) cannot be determined
- 20.** NNP stands for
 (a) Net National Product
 (b) National New Product
 (c) Net New Product
 (d) National Net Product
 (e) Net National Income
- 21.** is the value of all finished goods and services produced in a country in one year by its nationals. [IBPS PO 2018]
 (a) NPA (b) GNP (c) CDS (d) GDP
 (e) BOP
- 22.** GNP stands for [IBPS PO 2011]
 (a) Gross National Product
 (b) Group Net product
 (c) Grand Nuclear Process
 (d) Group Networking Process
 (e) None of the above
- 23.** Net National Product (NNP) of a country is
 (a) GDP minus depreciation allowances
 (b) GDP plus net income from abroad
 (c) GNP minus net income from abroad
 (d) GNP minus depreciation allowances
 (e) None of the above
- 24.** Real national income growth refers to
 (a) National income growth adjusted for inflation
 (b) National income growth adjusted for population growth
 (c) National income growth adjusted for depreciation rate
 (d) National income growth adjusted for saving growth
 (e) National income growth adjusted for saving
- 25.** In India, the National Income is measured on the basis of [RBI Grade B 2011]
 (a) flow of goods
 (b) number of employed youth
 (c) volume of tax collected per annum
 (d) earning of people working in PSUs and government jobs
 (e) All of the above
- 26.** The base year for calculating key economic growth from 2004-05 changed to [SBI PO 2017]
 (a) 2010-11 (b) 2011-12
 (c) 2014-15 (d) 2015-16
 (e) 2013-14
- 27.** Which of the following is not included in the estimates of National Income?
 (a) Profit earned by foreign banks in India
 (b) Payment to farm workers
 (c) Payment of bank interest for capital borrowed
 (d) Cost of government services
 (e) None of the above
- 28.** The government has merged the CSO and NSSO under the MoSPI into a single entity from May, 2019. The new merged entity has been named
 (a) National Statistical Office
 (b) Survey Design Office
 (c) National Sample Office
 (d) national Statistical Office
 (e) National Design Office
- 29.** Which one of the following institution prepares the National Income estimates in India? [IBPS 2012]
 (a) Planning Commission
 (b) Reserve Bank of India
 (c) National Statistical Organisation
 (d) India Statistics Institute
 (e) None of the above
- 30.** The Global Multi-dimensional Poverty Index (MPI) is an international measure of acute poverty covering over 100 developing countries. Global Multi-dimensional Poverty Index is given by [IBPS Clerk 2018]
 (a) UNESCO (b) UNCTAD
 (c) UNDP (d) OECD
 (e) UNEP
- 31.** Which of the following is one of the indicators of Human Development Index (HDI)? [RBI Grade B 2011]
 (a) Life expectancy at birth
 (b) Total cost of the agricultural land with a family
 (c) Total area of the agricultural land with a family

- (d) Availability of perennial source of water for irrigation
(e) Nature of employment, casual, permanent or semi-permanent

32. The HDI is a composite statistic of life expectancy, education and per capita income indicators, which are used to rank countries into four tiers of human development. What is the meaning of H in HDI? [SBI PO 2018]

- (a) Hole (b) Helpless
(c) Help (d) Harmony
(e) Human

33. The term Gross National Happiness was coined by

- (a) Amartya Sen
(b) Bhutan's King
(c) Maqbool Haq
(d) European Union
(e) Economists of Sweden

34. NITI stands for

- (a) National Inter Transforming India
(b) National Institution for Trend India
(c) National Institution for Transforming India
(d) National Inter Trend of India
(e) New Institution for Transforming India

35. Female literacy rate according to 2011 census. [IBPS Clerk 2015]

- (a) 64.6% (b) 74.04%
(c) 79% (d) 82.4%
(e) 85.3%

36. According to the 2011 census, the highest literacy rate is recorded by [IBPS Clerk 2014]

- (a) Delhi (b) Tripura
(c) Mizoram (d) Kerala
(e) Goa

37. Aadhaar is a digits unique number.

- (a) 5 (b) 7 (c) 12 (d) 14
(e) 16

38. What is A in UIDAI?

- (a) Authority (b) After
(c) Agriculture (d) Aadhar
(e) Ambitious

39. Green Revolution was launched in the year

- (a) 1952 (b) 1966 (c) 1975 (d) 1980
(e) 1991

40. One Nation one Ration Card scheme was launched in

- (a) 2001 (b) 2005 (c) 2012 (d) 2016
(e) 2020

Answers

1. (e)	2. (a)	3. (c)	4. (c)	5. (c)	6. (e)	7. (c)	8. (d)	9. (a)	10. (c)
11. (a)	12. (d)	13. (d)	14. (b)	15. (a)	16. (d)	17. (d)	18. (d)	19. (a)	20. (a)
21. (b)	22. (a)	23. (d)	24. (a)	25. (e)	26. (b)	27. (a)	28. (a)	29. (c)	30. (c)
31. (a)	32. (e)	33. (b)	34. (c)	35. (a)	36. (d)	37. (c)	38. (a)	39. (b)	40. (e)

INDUSTRY AND TRADE

Industry refers to an economic activity concerned with the processing of raw materials and manufacturing of goods in factories. Industries are often classified based on their principal product. For e.g., steel industry, automobile industry, textile industry, etc.

The products of industries can be consumer goods (goods, which are finally consumed by consumers) like textiles, cosmetics, etc. or producer goods (goods used by manufacturers for producing some other goods) like machinery tools, equipment, etc. The first modern industry to develop in India was Iron and Steel Industry (TISCO at Jamshedpur, in 1907).

Industrial Policy

- The concept of **Industrial Policy** is comprehensive and it covers all those procedures, principles, policies, rules and regulations which control the Industrial undertakings of a country and shape the patterns of industrialisation.
- An industrial policy provides guidelines for the effective coordination of the activities of various sectors of the economy.
- It is an official strategic effort of a country to encourage the development and growth of part or

all of the manufacturing sector as well as other sectors of the economy.

- The first industrial policy was announced in **April, 1948** by the then Industrial Minister Late SP Mukherjee.
- So far, Government of India has formulated 5 industrial policies i.e., Industrial Policy, 1948, 1956, 1977, 1980 and 1991, respectively.

New Industrial Policy, 1991

The Government of India announced the New Industrial Policy on 24th July, 1991. The main objective of this policy is to liberate the Indian industrial economy from administrative and legal controls. Its main aim is to raise industrial efficiency to the international level through substantial de-regulation of the industrial sector of the country.

Industries Requiring Compulsory Licensing

- Distillation and brewing of alcoholic drinks.
- Cigars and cigarettes of tobacco and manufactured tobacco substitutes.
- Electronic aerospace and defence equipments of all types.
- Industrial explosives including match boxes.

- Specific hazardous chemicals i.e., Hydrocyanic Acid, Phosgene, Isocyanates and Di-isocyanates of Hydrocarbon.

Index of Industrial Production (IIP)

IIP is an index for measuring the level of industrial activity in the country.

The All India IIP is a composite indicator that measures the short term changes in the volume of production of a basket of industrial products during a given period with respect to that in a chosen base period.

It is compiled and published monthly by the **National Statistics Office (NSO)**, with the time lag of six weeks from the reference month.

The Index of Industrial Production (IIP), with 2011-12 as base-year, is the leading indicator for industrial performance in the country.

Compiled on a monthly basis, the current IIP series based on 839 items clubbed into 407 items grouped under three broad groups of mining, manufacturing and electricity. The IIP as an index shows both the levels of production and growth.

Core Sector

The core sector consists of eight core industries in the economy having a weightage of 40.27% in the Index of Industrial Production (IIP). These eight sectors are coal, crude oil, natural gas, petroleum refinery products, fertilisers, steel, cement and electricity.

Strategies to Protect Industrial Sector

Following are the strategies to protect Industrial Sector

- **Patent Design** It is a form of legal protection granted to the ornamental design of a functional item. Design patents are a type of industrially right design.
- **Indian Trademark Law** It is a type of intellectual property consisting of a recognisable sign, design or expression which helps in

distinguishing one product from the another. It is protected under Trade Marks Act, 1999. It was amended in 2010.

- **IPR Awareness Program** Recognising the importance of intellectual property, then Hon'ble President of India Pratibha Patil declared the decade of 2011-2020 as the Decade of Innovation.
- The **National Intellectual Property Rights (IPR)** policy was adopted in 2016 with an aim to promote innovation and entrepreneurship. It created a specialised body, Cell for IPR Promotion and Management (CIPAM) to promote IPR and to spread awareness about them.
- **National Design Policy** This policy was announced on February, 2007. This policy focusses on promoting creative manufacturing and design innovation in the country. In order to strengthen the brand "designed in India", it has created an autonomous body, India Design Council. It is mandated to implement this policy and to work towards raising the standards of design education in India.
- **DPIIT** The Department of Industrial Policy and Promotion (DIPP) has been renamed as the Department for Promotion of Industry and Internal Trade (DPIIT) with a mandate to deal with matters related to startups, facilitating ease of doing business among others. The newly named department under the Ministry of Commerce and Industry will look into matters related to promotion of internal trade, including retail trade, welfare of trade and their employees.

Public Sector Companies

PSU companies are owned by the Union government of India, or one of the many state or territorial governments, or both. The company stock needs to be majority- owned by the government to be a PSU. PSUs may be classified as Central Public Sector Enterprises (CPSEs) or State Level Public Enterprises (SLPEs).

Objectives of the Public Sector Companies

- To capture commanding heights of the economy i.e., to take up strategic role in the industrialisation of the country.

- To accelerate the economic growth of the country by creation of basic infrastructure.
- To generate employment and creation of economic opportunities in the backward region of the country.
- To promote exports and to develop import substitution industries.
- To check concentration of economic power and support inclusive development.

Maharatna Companies

Maharatna Scheme was introduced for Central Public Sector Enterprises (CPSEs), with effect from **19th May, 2010**, in order to empower mega CPSEs to expand their operations and emerge as global giants.

CPSEs which are fulfilling the following criteria are eligible to be considered for grant of Maharatna status

- (i) Having Navratna status.
- (ii) Listed on the Indian Stock Exchange, with a minimum prescribed public shareholding under SEBI regulation.
- (iii) An average annual turnover of more than ₹ 25,000 crore during the last 3 years.
- (iv) An average annual net worth of more than ₹ 15,000 crore during the last 3 year
- (v) An average annual net profit after tax of more than ₹ 5000 crore during the last 3 years.
- (vi) Significant global presence or international operations.

The coveted status empowers the boards of these firms to take investment decisions upto ₹ 5000 crore as against the present ₹ 1000 crore limit for Navratnas without seeking government approval. As of June, 2021, there are 10 Maharatna Companies in India.

Maharatna CPSEs

- Oil and Natural Gas Corporation Limited (ONGC)
- Indian Oil Corporation Limited (IOCL)
- Steel Authority of India Limited (SAIL)
- National Thermal Power Corporation (NTPC)
- Coal India Limited (CIL)
- Bharat Heavy Electricals Limited (BHEL)

- Gas Authority of India Limited (GAIL)
- Bharat Petroleum Corporation Limited (BPCL)
- Hindustan Petroleum Corporation Limited (HPCL)
- Power Grid Corporation of India Limited (PGCIL)

Navratna Companies

Government has been making efforts to improve the efficiency of PSUs, mainly by giving them autonomy in managerial decisions.

As a result of this experiment, in 1997, government selected a few PSUs, which were profit-making and conferred them with the status of Navratna. Navratna status implies that the concerned PSU would be given greater managerial and operational autonomy in various issues of the company. This helps in raising the profits. Later, the number of Navratna companies were expanded. As of June, 2021, there are 14 Navratna Companies in India.

To be qualified as a Navratna, the company must obtain a score of 60 out of 100.

The score is based on six parameters which include

- (i) Net profit to net worth.
- (ii) Total manpower cost to total cost of production or cost of services.
- (iii) PBDIT (Profit Before Depreciation, Interest and Taxes) to capital employed.
- (iv) Profit before interest and taxes to turnover.
- (v) EPS (Earning Per Share).
- (vi) Inter-sectoral performance.

A company must first be a Miniratna and have four independent Directors on its board before it can be made a Navratna.

Navratna CPSEs

- Bharat Electronics Limited (BEL)
- Hindustan Aeronautics Limited (HAL)
- Mahanagar Telephone Nigam Limited (MTNL)
- National Aluminium Company Limited (NALCO)
- NMDC Limited
- Oil India Limited
- Power Finance Corporation Limited (PFCL)
- Rashtriya Ispat Nigam Limited (RINL)
- Rural Electrification Corporation Limited (RECL)

- Shipping Corporation of India Limited (SCIL)
- Neyveli Lignite Corporation Limited (NLCL)
- Container Corporation of India Limited (CONCOR)
- Engineers India Limited (EIL)
- National Buildings Consumption Corporation Limited (NBCCL)

Miniratnas

The government has also accorded the status of Miniratna to some profit making PSEs. There are two types of Miniratnas

1. Category I
2. Category II

1. Category-I

These are companies, which have made a profit in each of last 3 years and earned a profit of ₹ 30 crore in atleast one of the 3 years.

They are allowed to incur capital expenditure without government approval upto ₹ 500 crore or equal to their net worth whichever is lower.

There are 62 Miniratnas at present (June 2021).

2. Category-II

These are companies, which have made profits for the last 3 years continuously and have a positive net worth.

They can incur capital expenditure upto ₹ 300 crores or 50% of their net worth whichever is lower. There are presently (June 2021) 12 such category-II Miniratnas.

Micro, Small and Medium Enterprises (MSMEs)

In accordance with the provision of Micro, Small and Medium Enterprises Development (MSMED) Act, 2006, the Micro, Small and Medium Enterprises (MSMEs) are classified in two classes.

These classes are as follow

Manufacturing Enterprises These are the enterprises engaged in the manufacturing or production of goods pertaining to any industry specified in the First Schedule to the Industries Development and Regulation Act, 1951. The

manufacturing enterprises are defined in terms of investment in plant and machinery.

Service Enterprises These are the enterprises engaged in providing or rendering of services and are defined in terms of investment in equipment. Finance Minister Nirmala Sitharaman announced the new definitions of MSMEs in May, 2020 which classified micro, small and medium enterprises on the basis of investment in plant and machiners and annual turnover.

New Definitions of Enterprises are

Types of Enterprises	Investment	Turnover
Micro	₹ 1 crore	₹ 5 crore
Small	₹ 10 crore	₹ 50 crore
Medium	₹ 50 crore	₹ 250 crore

Schemes Related to MSMEs

CLCSS Scheme

Credit Linked Capital Subsidy Scheme (CLCSS) was launched on 1st October, 2000.

CLCSS is to facilitate technology upgradation in MSMEs by providing an upfront capital subsidy of upto ₹ 1 crore.

The Scheme is a demand driven one without any upper limit on overall annual spending on the subsidy disbursal.

Outreach Programme

PM Narendra Modi launched this programme under the Ministry of Textiles on 2nd November, 2018, in New Delhi. SIDBI organised Outreach Programme for strengthening Micro, Small and Medium Enterprises ecosystem.

The main objective of this programme is to promote activities for the benefit of MSMEs and knowledge dissemination on digital platforms.

Companies Act, 2013

This act introduces significant changes in the provisor related to governance e-management compliance enforcement, disclosure norms, auditors and mergers acquisitions.

It has introduced several new concepts and has also tried to streamline many of the requirements by introducing new definitions.

- **One Person Company** The Act, 2013 introduces a new type of entity to the existing list i.e., apart from forming a public or private limited company, the Act, 2013 enables the formation of a new entity a 'One Person Company' (OPC).
- **Small Company** A small company has been defined as a company, other than a public company with a
 - Paid-up share capital of which does not exceed 50 lakh INR.
 - Turnover of which as per its last profit and loss account does not exceed 2 crore INR or such higher amount as may be prescribed which shall not be more than 20 crore INR.
- **Dormant Company** The Act, 2013 states that a company can be classified as dormant when it is formed and registered under this Act, 2013 for a future project or to hold an asset or intellectual property and has no significant accounting transaction.
- **Shell Company** It is a non-trading company used as a vehicle for money laundering and other unlawful activities. Under companies Act, 2013 if a company is found guilty of operating as a shell company then such company and all its directors are liable to prosecution.
- **Limited Liability Partnership (LLP)** It is a hybrid form of business organisation having features of a partnership firm under the Partnership Act, 1932 and a company Under the Companies Act, 1956/2013. The concept of LLP has been introduced in India by way of Limited Liability Partnership Act, 2008.
- **National Financial Reporting Authority (NFRA)** It is an independent regulator to supervise the auditing profession and accounting standards in India under companies Act, 2013. It was established in 2018. It is responsible for recommending accounting and auditing principles, undertaking investigations and imposing sanctions against defaulters.

- **Serious Fraud Investigation Office (SFIO)** The Act, 2013 has bestowed legal status to SFIO. It conducts multi-disciplinary investigations of major corporate frauds.
- **Corporate Social Responsibility (CSR)** It refers to practices and policies undertaken by corporations that are intended to have a positive influence on the society. India became the first country to legislate the need to undertake CSR activities and mandatorily report CSR activities under the Companies Act, 2013.

The Companies (Amedment) Act, 2015

Important points related to Companies (Amedment) Act, 2015 are as follow

- Omitting requirement for minimum paid-up share capital and consequential changes.
- The minimum paid-up share capital requirement of INR 1,00,000 (in case of a private company) and INR 5,00,000 (in case of a public company) under the Company Act, 2013 has been done away with.
- Accordingly no minimum paid-up capital requirement will now apply for incorporating private as well as public companies in India.
- Making common seal optional and consequential changes for authorisation for execution of documents.

The Companies (Amendment) Act, 2019

This Act was passed by the Parliament in July, 2019. The changes recommended under the latest Amendment to the Companies Act are as follow

- Companies will have to keep an unspent amount into a special account for the purpose of CSR.
- This amount, if left unspent after a period of 3 years, will be moved into a fund specified in Schedule VII of the Act. This could even be the Prime Minister's Relief Fund.
- Under this Act, the Registrar of Companies can initiate action for the removal of the company's name from the Register of Companies if it is not conducting business or operation as per the Company Law.
- 16 minor offences mentioned in the Act have been decriminalised (made civil defaults).

Foreign Trade

The exchange of goods and services between the two countries is termed as foreign trade. The foreign trade serves two important functions : meeting the domestic demands for goods and services and providing opportunities for economic growth and development through trade.

There are two components of foreign trade

1. **Exports** When goods and services are sold to the foreign country for the motive of earning more profit, it is called exports. It encompasses both goods and services. Export of services is considered as invisible export.
2. **Imports** When goods and services are purchased from a foreign country to meet the domestic needs, it is known as imports.

India's Foreign Trade Position

India's participation in foreign trade was continuously declining till 1980. Since 2001, it has continually improved.

As per the current ranking, India is the 17th largest exporter and 11th largest importer of foreign trade (as on December, 2020).

According to the report released by Directorate General of Foreign Trade (DGFT) in 2020, among India's trading partners, the top 5 countries with which India has negative bi-lateral trade balance are China, Switzerland, Saudi Arabia, Iraq and South Korea while the top 5 countries with which it has surplus trade balance are USA, UAE, Bangladesh, Nepal and UK. India has the highest trade deficit with China.

Balance of Payments (BoP)

Balance of payments is a systematic record of all economic transactions among the residents of a country and the rest of the world.

BoP records the transactions in goods, services and assets among residents of a country with the rest of the world for a specified time period, typically a year.

There are two main accounts in the BoP—the Current Account and the Capital Account. In addition to that, BoP includes errors and omissions and change in foreign exchange reserves. Balance of payments is thus, an overall record of all economic transactions of a country in a given period, with rest of the world.

Structure of Balance of Payments

Balance of Payments (BoP) account broadly comprises of the following components

1. **Current Account** Current account is that account which records imports and exports of goods and services and uni-lateral transfers. The current account is used to mark the inflow and outflow of goods and services into a country. Earnings on investments, both public and private, are also put into the current account.
2. **Capital Account** It is that account which records all such transactions among residents of a country and rest of the world, which causes a change in the asset or liability status of the residents of a country or its government.

Investments (Foreign Direct Investment, FDI and Foreign Institutional Investment, FII) and Borrowings (External Commercial Borrowing, ECB, etc.) are part of the capital account.

Balance of Trade (BoT)

When the difference in the value of imports and exports of only physical goods or visible items, is taken into account, it is called balance of trade or net exports.

Balance of trade may be

1. **Surplus or Favourable** In this situation, exports are greater than imports
i.e., Exports > Imports
2. **Deficit or Unfavourable** In this situation, imports are greater than exports
i.e., Exports < Imports
3. **Equilibrium in Balance of Trade** In this situation, total value of goods exported is equal to the total value of goods imported by a country i.e., Exports = Imports

Foreign Investment

Foreign investment means an investment into production or business in a country by an individual or company in another country for profit earning.

Foreign investment typically works in both ways, especially between countries of relatively equal economic status.

Foreign investment is further classified into the following types

1. Foreign Direct Investment (FDI)

Broadly, foreign direct investment includes mergers and acquisitions, building new facilities, reinvesting profits earned from overseas operations and intra-company loans.

In a narrow sense, foreign direct investment refers just to building new facilities.

It refers to direct investment in the productive capacities of a country by someone from outside the country.

Such an investment can be in the form of setting up of a new plant or through purchase of shares of a company, where the shareholding gives the foreign entity control over the business of the company.

Service sector in India attracted the highest FDI equity inflow.

Two concepts associated with FDI are

- (i) **Greenfield Investment** Its a form of foreign direct investment, where a parent company starts a new venture in a foreign country by constructing new operational facilities.
- (ii) **Brownfield Investment** It happens, when a company or government entity purchases or leases existing production facilities to launch a new production activity.

2. Foreign Portfolio Investment (FPI)

In economics, foreign portfolio investment is the entry of funds into a country where foreigners make purchases in the country's stock and bond markets, sometimes for speculation.

It is usually a short term investment (sometimes less than a year, or with involvement in the

management of the company), as opposed to the longer term Foreign Direct Investment partnership (possibly through joint venture), involving transfer of technology and "know-how".

FPI is positively influenced by high rates of return and reduction of risk through geographic diversification.

The return on FPI is normally in the form of interest payments or non-voting dividends.

3. Foreign Institutional Investment (FII)

These are investments by entities from outside the country into the financial assets like debts and shares of companies from a different country, in which they are incorporated.

FIIs (Foreign Institutional Investments) are required to register with SEBI (Securities and Exchange Board of India) in accordance with Section 2(F) of the SEBI (FII) regulations 1995. They are allowed to subscribe to new securities or trade in already issued securities.

Convertibility of Rupee

- Currency convertibility refers to how liquid a nation's currency is in terms of exchanging with other global currencies.
- India's rupee is a partially convertible currency as it can be exchanged at market rates in certain cases, but approval is required for larger amounts.
- It is broadly classified into two types i.e., the current and capital account convertibility. The current account convertibility refers to freedom to convert rupees into other internationally accepted currencies and vice-versa without any restriction. Whereas the capital account convertibility means the freedom to conduct investment transactions without any constraints.

Other Ways of Investment

1. **Participatory Notes (P-Notes)** These are financial instruments used by investors or hedge funds that are not registered with the Securities and Exchange Board of India to invest in Indian securities.

India based brokerages buy India based securities and then issue participatory notes to foreign investors. Any dividends or capital gains collected from the underlying securities go back to the investors.

2. **Global Depository Receipts (GDRs)** These are equity instruments issued in international markets like London, Luxembourg, etc. Indian companies use GDRs to raise capital from abroad. GDRs are designated in dollars, euros, etc.
3. **American Depository Receipts (ADRs)** These are the equity instruments issued to American retail and institutional investors. They are listed in New York, either on NASDAQ or New York Stock Exchange.
4. **Indian Depository Receipts (IDRs)** These are similar to ADR/GDR. They are used by Non-Indian companies in the Indian stock markets for issuing equity to Indian investors.

Measures to Promote Manufacturing and Export

The Indian Government has been undertaking a number of schemes and initiatives to promote manufacturing and export in India. Some of these schemes and projects are as follow

Special Economic Zones (SEZs)

The first SEZ policy was announced in **April, 2000** which mutually provided to make SEZ an engine of growth supported by quality infrastructure backed up by attractive fiscal package.

To impart stability to the SEZ regime, SEZ Act, 2005 was enacted which came into effect from 10th February, 2006. As per the provisions of the SEZ Act, 2005, **100% FDI** is allowed in SEZs through the automatic route.

The Act offers a highly attractive fiscal incentive package, which ensures exemption from custom duties, central excise duties, service tax, central sales tax and securities transaction tax to both the developers and the unit. As on March, 2021, 378

SEZs have been notified by the government out of which 265 are operational. Tamil Nadu have highest number of operational SEZs in India.

Export Processing Zone (EPZ)

A Free Trade Zone (FTZ) or Export Processing Zone (EPZ), also called Foreign Trade Zone, formerly free port, is an area within which goods may be landed, handled, manufactured or re-configured and re-exported without the intervention of the customs authorities.

In comparison to other Industrial Clusters, the Export Processing Zone (EPZ) in India enjoys several advantages like, 100% FDI under automatic route, tax subsidies, freedom from paying custom duties and taxes and better infrastructural facilities.

Free trade zones are organised around major seaports, international airports and national frontiers areas with many geographic advantages for trade.

It is a region where a group of countries has agreed to reduce or eliminate trade barriers. Free trade zones can be defined as labour intensive manufacturing centre that involve the import of raw materials or components and the export of factory products.

Agri Export Zone (AEZ)

An Agri Export Zone (AEZ) is a specific geographic region in a country demarcated for setting up of agriculture based processing industries, mainly for export. The concept of AEZ was introduced in 2001 through EXIM (Export-Import) Policy 1997-2001.

AEZs are to be identified by the State Government, who would evolve a comprehensive package of services provided by all State Government agencies, state agriculture universities and all institutions and agencies of the Union Government for intensive delivery in these zones.

The government till 2004-05 had notified 60 Agri Export Zones (AEZs) in the country. No new AEZs has been set up after 2004. Maharashtra has the highest number of AEZ in the country.



QUESTION BANK

- 1.** The first modern industry to develop in India was
 - (a) Iron and Steel Industry
 - (b) Cement Industry
 - (c) Computer Industry
 - (d) Food Processing Industry
 - (e) Automobile Industry
- 2.** The first Industrial Policy was released in which year?
 - (a) 1947
 - (b) 1948
 - (c) 1950
 - (d) 1956
 - (e) 1959
- 3.** Government of India has formulated industrial policies in
 - (a) 1956
 - (b) 1977
 - (c) 1980
 - (d) 1991
 - (e) All of these
- 4.** The Government of India announced the New Industrial Policy in
 - (a) 1956
 - (b) 1977
 - (c) 1991
 - (d) 2001
 - (e) 2015
- 5.** Which among the following industries requires compulsory licensing?
 - (a) Alcoholic drinks
 - (b) Cigars and cigarettes
 - (c) Defence equipments
 - (d) All of the above
 - (e) None of the above
- 6.** What is P in IIP?
 - (a) Product
 - (b) Profit
 - (c) Production
 - (d) Population
 - (e) Patent
- 7.** What is base year of IIP, 2021?
 - (a) 2005-06
 - (b) 2011-12
 - (c) 2015-16
 - (d) 2016-17
 - (e) 2020-21
- 8.** IIP is compiled on a
 - (a) weekly basis
 - (b) monthly basis
 - (c) yearly basis
 - (d) days basis
 - (e) All of the above
- 9.** President of India declared the decade of as the Decade of Innovation.
 - (a) 1999-2001
 - (b) 2005-2016
 - (c) 2011-2020
 - (d) 2001-2011
 - (e) 1991-2000
- 10.** National Design Policy was announced in India in
 - (a) February 2000
 - (b) March 2005
 - (c) February 2007
 - (d) August 2011
 - (e) August 2014
- 11.** Foreign Direct Investment (FDI) in India grew 18% during 2016 to touch data released by the Department of Industrial Policy and Promotion (DIPP). [SBI PO 2017]
 - (a) \$ 53 billion
 - (b) \$ 46 billion
 - (c) \$ 57 billion
 - (d) \$ 45 billion
 - (e) \$ 54 billion
- 12.** DIPP is the nodal agency in the field of foreign investments in India. What is the full form of DIPP? [IBPS PO 2017]
 - (a) Department of Industry Policy and Promotion
 - (b) Department of Innovation Policy and Promotion
 - (c) Department of Industrial Policy and Promotion
 - (d) Department and Industrial Policy and Partnership
 - (e) Department of Internet Pulse and Partnership
- 13.** DIPP has been renamed as
 - (a) DPIIT
 - (b) DIITP
 - (c) DPIT
 - (d) IDPT
 - (e) DIPPT
- 14.** When was the Maharatnas Scheme introduced?
 - (a) 15 May, 2019
 - (b) 19 May, 2009
 - (c) 19 May, 2010
 - (d) 15 May, 2011
 - (e) 15 May, 2012
- 15.** Which one of the following Public Sector Enterprises (PSEs) is one of the Maharatna status PSEs?
 - (a) MTNL
 - (b) HAL
 - (c) CONCOR
 - (d) NACL
 - (e) BHEL

- 16.** Which among the following is/are eligibility criteria(s) required for granting Maharatna status to CPSEs?
 (a) An average annual turnover or more than ₹ 25,000 during the last 3 years
 (b) An average annual net worth of more than ₹ 15,000 crore during last 3 years
 (c) An average annual net profit of more than ₹ 5000 crore during the last 3 years
 (d) All of the above
 (e) None of the above
- 17.** Which of the following PSEs is not the Maharatna company?
 (a) PGCIL (b) Coal India Limited
 (c) IOC Limited (d) Oil India Limited
 (e) ONGC
- 18.** What is D in PBDIT?
 (a) Direct (b) Defart
 (c) Depreciation (d) Department
 (e) Decision
- 19.** When was the Navratna Scheme introduced?
 (a) 1980 (b) 1847
 (c) 1990 (d) 1997
 (e) 2001
- 20.** Which of the following PSEs is not the Navratna Company?
 (a) RINL (b) NLCIL
 (c) NACL (d) HPCL
 (e) NBCCL
- 21.** There are in Miniratnas Category II.
 (a) 12 (b) 61
 (c) 73 (d) 118
 (e) 200
- 22.** Less than ₹ 50 crore of turnover of enterprises is considered under new amended definitions of MSMEs.
 (a) Micro (b) Small
 (c) Medium (d) Core
 (e) Heavy
- 23.** CLCSS Scheme is to facilitate technology upgradation in MSMEs by providing an upfront capital subsidy of [IBPS Clerk 2019]
 (a) Up to ₹ 1 crore (b) Up to ₹ 2 crore
 (c) Up to ₹ 3 crore (d) Up to ₹ 5 crore
 (e) None of these
- 24.** Which Ministry has launched 'Outreach Programme' to provide assistance to Micro, Small and Medium Enterprises of textile industry sector? [IBPS Clerk 2019]
 (a) Ministry of Finance
 (b) Ministry of Labour
 (c) Ministry of Agriculture
 (d) Ministry of Textiles
 (e) None of the above
- 25.** Companies Act, 2013 has introduced several new concepts including
 (a) One Person Company
 (b) Serious Fraud Investigation Office
 (c) Corporate Social Responsibility
 (d) New Small Company Definition
 (e) All of the above
- 26.** The minimum paid-up share capital requirement of ₹ in case of private company under the Companies (Amendment) Act, 2015.
 (a) 1,00,000 (b) 2,00,000
 (c) 3,00,000 (d) 4,00,000
 (e) 5,00,000
- 27.** Companies will have to keep an unspent amount into a special account for the purpose of CSR is recommended under the
 (a) Companies (Amendment) Act, 2015
 (b) Companies (Amendment) Act, 2019
 (c) Companies (Amendment) Act, 2021
 (d) None of the above
 (e) All of the above
- 28.** What is the Minimum Public Shareholding (MPS) mandated by SEBI for private companies and PSUs respectively? [IBPS PO 2018]
 (a) 75% and 90% (b) 90% and 75%
 (c) 10% and 25% (d) 25% and 10%
 (e) 50% and 30%
- 29.** A non-trading company used as a vehicle for various financial manoeuvres or kept dormant for future use in some other capacity? [SBI Clerk 2018]
 (a) Chit Funds
 (b) Shell Companies
 (c) Nidhi Companies
 (d) Indigenous Bankers
 (e) Unstructured NBFC

30. In order to attract more foreign exchange the Government of India decided to allow foreign investment in LLP firms, what is full form of 'LLP' as used in this reference?

[IBPS PO 2011]

- (a) Local Labour Promotion
- (b) Low Labour Projects
- (c) Limited Loan Partnership
- (d) Longer Liability Partnership
- (e) Limited Liability Partnership

31. The National Financial Reproting Authority (NFRA) was constituted in

- (a) 2016 (b) 2017 (c) 2018 (d) 2019
- (e) 2020

32. Invisible Export means export of

[Corporation Bank 2011]

- (a) services
- (b) prohibited goods
- (c) unrecorded goods
- (d) goods through smuggling
- (e) All of the above

33. India is the.....largest exporter in the world.

- (a) 3rd (b) 7th
- (c) 10th (d) 17th
- (e) 27th

34. Which of the following does not form a part of current account of BoP?

- (a) Export and import of goods
- (b) Export and import of services
- (c) Income receipts and payments
- (d) Capital receipts and payments
- (e) None of the above

35. The BoP of a country is a systematic record of

- (a) all import and export transactions of a country during a given period of time, normally a year
- (b) goods exported from a country during a year
- (c) economic transaction between the government of one country to another
- (d) capital movements from one country to another
- (e) None of the above

36. If a country has exported more than its imports, balance of trade will be

- (a) negative (b) positive
- (c) zero (d) indeterminate
- (e) None of these

37. The difference between visible exports and visible imports is defined as

[Corporation Bank 2011]

- (a) Balance of trade
- (b) Balance of payments
- (c) Balanced terms of trade
- (d) Grains from trade
- (e) All of the above

38. Which of the following organisations provides guarantee to the exporters?

[Allahabad Bank 2011]

- (a) Exim Bank
- (b) Export Credit Guarantee Corporation
- (c) Director General of Foreign Trade
- (d) Reserve Bank of India
- (e) Registrar of Companies

39. Which of the following economic concepts is categorised on the basis of current account or capital account or both? [RBI Grade B 2011]

- (a) Balance of payments
- (b) Value of the foodgrain stock of a country
- (c) Gross National Product (GNP)
- (d) Gross National Income (GNI)
- (e) Total collection of direct taxes in a year

40. Which sector in India attracted the highest FDI equity inflows?

- (a) Steel industry
- (b) Service sector
- (c) Agriculture sector
- (d) Cement industry
- (e) Construction industry

41. What is cross border exchange?

[Allahabad Bank 2011]

- (a) Trading of foreign currency in India
- (b) Trading of Indian rupee in exchange of other currencies/goods
- (c) Hawala transactions in Indian rupee
- (d) Unauthorised remittance of Indian rupee
- (e) None of the above

42. The term 'FTZ' stands for [SBI Clerk 2012]

- (a) Free Trade Zone
- (b) Food Trade Zone
- (c) Foreign Trade Zone
- (d) Fiscal Trade Zone
- (e) Financial Trade Zone

43. A is a type of transferable financial instrument traded on a local stock exchange of a country but represents a security issued by a foreign publicly listed company.

- (a) Depository receipt (b) Derivative
(c) Option (d) Participatory notes
(e) None of these

44. Which of the following is a receipt listed in India and traded in rupees declaring ownership of share of a foreign company?

[IBPS PO 2013]

- (a) Indian Depository Receipt (IDR)
(b) European Depository Receipt (EDR)
(c) Global Depository Receipt (GDR)
(d) American Depository Receipt (ADR)
(e) Luxemburg Depository Receipt (LDR)

45. The Special Economic Zone Act came into effect from

- (a) 10th February, 2006
(b) 10th February, 2005
(c) 10th June, 2006
(d) 10th July, 2008
(e) None of the above

Answers

1. (a)	2. (b)	3. (e)	4. (c)	5. (d)	6. (c)	7. (b)	8. (b)	9. (c)	10. (c)
11. (b)	12. (a)	13. (a)	14. (a)	15. (e)	16. (d)	17. (d)	18. (c)	19. (d)	20. (d)
21. (b)	22. (b)	23. (a)	24. (d)	25. (e)	26. (a)	27. (b)	28. (d)	29. (b)	30. (e)
31. (c)	32. (a)	33. (d)	34. (d)	35. (a)	36. (b)	37. (a)	38. (b)	39. (a)	40. (b)
41. (b)	42. (a)	43. (a)	44. (a)	45. (a)					

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INTERNATIONAL ORGANISATION AND WORLD BANK

An International Organisation (IO) has been defined as a forum of co-operation of sovereign states based on multilateral international agreement and comprise of a relatively stable range of participants.

The fundamental feature of this is the existence of permanent organs with definite competence and power acting for carrying out common aims.

These organisations performs important functions such as fostering economic cooperation among nations, boosting foreign trade and financial flow and eradicating poverty. It also ensures that the competition among the individual states remains peaceful.

Bretton Woods Conference

The Bretton Woods Conference, officially known as the United Nations Monetary and Finance Conference, was a gathering of delegates to agree upon a series of new rules for the post World War II International Monetary System.

The two major accomplishments of the conference were as follows

1. The creation of the International Monetary Fund (IMF)
2. The creation of International Bank for Re-construction and Development (IBRD) also known as World Bank

International Monetary Fund (IMF)

IMF is the inter-governmental organisation that oversees the global financial systems by following the macro-economic policies of its member countries, in particular, those with an impact on exchange rate and the Balance of Payments (BoP).

Its headquarter is in Washington DC, United States. IMF was formally organised on **27th December, 1945**, when the first 29 countries signed its Articles of Agreement.

As of June, 2021, IMF has 190 member countries, Andorra has become the 190th member of the IMF on October, 2020.

IMF was instrumental in solving the Balance of Payment (BoP) crisis faced by India in 1990s and it had also supported tightening of monetary policy in India besides suggesting reforms for macro-economic stability.

Organisation of IMF

- Each member country appoints its **two Governors**.
- The Board normally meets once a year and is responsible for electing or appointing executive directors to the Executive Board.

Functions of IMF

- It maintains global exchange rate stability by necessary arrangements such as enforcing devaluation criteria, forbidding members to go for multiple exchange rate and by pegging the currency with Dollar or gold.
- It helps in eliminating Balance of Payment disequilibrium by selling or lending foreign currencies to the member.
- It advises the member countries on various economic and monetary issues in order to stabilise their economies.
- It also provides credit facilities to member countries in exceptional circumstances such as Balance of Payment crisis.
- It publishes various reports and indexes to ascertain the macro-economic profile of the world. Global Financial Stability Report and World Economic Outlook are the flagship reports of IMF.

Special Drawing Rights (SDRs)

SDRs is an international reserve asset, created by the IMF in 1969, to supplement its member countries' official reserves.

Its value is based on a basket of five key international currencies (US dollar, Japanese Yen, Pound Sterling, Euro and Chinese Renminbi) and SDRs can be exchanged for freely usable currencies. Chinese Renminbi was included as a part of SDR in 2016.

World Bank

World Bank Group is a family of five IOs that provide leveraged loans, generally to poor countries. The bank came into formal existence on **27th December, 1945** following international ratification of the Bretton Woods Agreements.

Commencing operations on 25th June, 1946 it approved its first loan on 9th May, 1947 (\$250 million to France for post war reconstruction), in real terms the largest loan issued by the bank (to date). Global Economic Prospects Report is a World Bank Group flagship report that examines global economic developments and prospects.

The World Bank headquartered in **Washington, DC**. As on July, 2020 the total member countries of World Bank is **189**. David Malpass is the President and Anshula Kant is the Managing Director (MD) and Chief Financial Officer (CFO) of World Bank Group. BOND- i was launched by the World Bank. It is an acronym for Blockchain Offered New Debt instrument.

Functions of World Bank

- It provides soft loans to Least Developed Countries (LDCs) and developing countries.
- It provides technical services to the member countries through its 'Economic Development Institute' and a staff college in Washington.
- It also provides loans to private investors belonging to member countries on its own guarantee.
- It provides long term concessional loans to developing countries to effectively manage climate change and eliminate poverty and inequality.
- Global Environment Facility (GEF) fund managed by World Bank helps countries to meet the objectives of the international environmental conventions and agreements.
- It publishes important reports such as World Development Report, Global Economic Prospect and Ease of Doing Business Report to bring out reforms in global economic system.

World Bank Groups

All five organisation of World Bank are as follows

1. **International Bank for Reconstruction and Development (IBRD)** It is founded in 1944 to help Europe recover from World War II. IBRD works with middle income and credit worthy poorer countries to promote sustainable and equitable growth to reduce poverty and to address issues of regional and global importance. IBRD is owned and operated for the benefit of its 189 member countries.
2. **International Development Association (IDA)** is a part of the World Bank that helps the world's poorest countries. Established in 1960, it aims to reduce poverty by providing interest-free credits and grants for programmes that boost economic growth, reduce inequalities and improve people's living conditions. It serves middle-income countries with capital investment and advisory services. Presently, IDA has 173 countries. It lends money (known as credits) on concessional term. Repayments of credits are stretched over to 35-40 years, including a 10 years grace period.
3. **International Finance Corporation (IFC)** promotes sustainable private sector investment in developing countries. It is a member of the World Bank Group and is headquartered in Washington DC. It shares the primary objective of all World Bank Group institutions i.e., to improve the quality of the lives of people in its developing member countries. It has 184 member countries.
4. **Multilateral Investment Guarantee Agency (MIGA)** is a member organisation of the World Bank Group that offers political risk insurance. It was established to promote foreign direct investment into developing countries. 181 member countries comprise MIGA shareholders. Bhutan is the most recent country to have joined MIGA in December, 2014.
5. **International Centre for Settlement of Investment Disputes (ICSID)** was established in 1966, pursuant to the convention on the settlement of investment disputes between states and nationals of other states. As of 2021,

163 countries has signed the ICSID convention. ICSID has an administrative council, chaired by the World Bank's President and a Secretariat. It provides facilities for the conciliation and arbitration of investment disputes between member countries and individual investors.

World Trade Organisation (WTO)

World Trade Organisation is the only global international organisation dealing with the rules of trade between nations. It was established to help producers of goods and services, exporters and importers to conduct their business smoothly.

It provides a framework for negotiating and formalising trade agreements and a dispute resolution process aimed at enforcing participants adherence to WTO agreements, which are signed by representatives of member governments and ratified by their parliaments.

WTO officially commenced on 1st January, 1995 under the Marrakash Agreement, signed by 123 nations on **15th April, 1994**.

WTO has 164 members (as of 2021). Afghanistan became its 164th member on 29th July, 2016. Its headquarters is in **Geneva, Switzerland**.

WTO was formed as a replacement for GATT with the purpose of supervising and liberalising international trade.

Functions of WTO

- It promotes the growth of International trade through its policies.
- It provides forum for trade negotiations among member countries.
- It provides technical assistance and training to developing and least developed economies.
- It handles trade disputes among nations through its trade dispute resolution mechanism.
- It administer the WTO trade agreements and monitors the member countries trade policies for compliance.

Key Agreements of WTO

Agreement on Trade Related aspects of Intellectual Property Rights (TRIPS). The WTO agreement on TRIPS was negotiated between 1986-1994. It was introduced as a part of

multilateral trading system at the time of Uruguay Round of GATT. Intellectual property conveyed minimum standard of protection to be adopted by parties related to copyrights and related rights, such as trademarks, geographic indication, industrial design, patents, layout design of integrated circuits and undisclosed information (trade secrets).

General Agreement on Trade in Services (GATS) This treaty was a result of Uruguay Round negotiations and came into effect in January, 1995. This treaty ensured that the trade in services such as banks, insurance, tourism, telecommunication, etc., between the nations is guided by the principle of free and fair trade. It extended the multilateral trading system to service sector.

Agreement on Agriculture (AoA) and its Implication It was signed by the member countries in April, 1994 at Marrakash, Morocco which was a part of the Uruguay Round of multilateral trade negotiations. This agreement is based on three pillars i.e., domestic support, market access and export subsidies which is to be facilitated by the member countries in gradual manner.

World Health Organisation (WHO)

World Health Organisation is a specialised agency of the United Nations responsible for international public health. It was established on **7th April, 1948**. The main objective of WHO as defined by its constitution is “attainment by all peoples of the highest possible level of health”. As on June, 2021, WHO has 194 member countries. It is headquartered at **Geneva, Switzerland**.

Other Important International Organisations

G-7

G-7 is an inter-governmental forum of the most advanced economies of the world. G-7 includes USA, Canada, Germany, Britain, France, Italy and Japan and European Union. Russia which became its member in 1997 was expelled from this organisation after annexation of Crimea in 2014.

The Financial Action Task Force (FATF) is an intergovernmental organisation founded in 1989 on the initiative of the G7 to develop policies to combat money laundering. The 2021, G-7 Summit was hosted by United Kingdom in June, 2021.

G-15

The Group of 15 (G-15) is an informal forum setup to foster cooperation and provide input for other international group, such as WTO and the G 20 and G 7.

The G-15 is headquartered in **Geneva, Switzerland**. As on June, 2021, it consists of 18 member states.

G-20

G-20 comprises of 19 countries namely Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Mexico, Russia, Saudi Arabia, South Africa, the Republic of Korea, Turkey, the United Kingdom, the United States of America and the European Union.

It represents 90% of the global gross national product, 80% of the world's trade and two-third of the world's population. India is a member of the G-20, since it was established as Finance Minister Forum in 1999. In 2021, the G-20 Summit will be hosted by Italy in Rome on 30-31 October. The 2023 G-20 Summit of the G-20 will be hosted by India.

E-9

The E-9 is a forum of nine countries, which was formed to achieve the goals of UNESCO's initiative of Education For All (EFA).

The E stands for Education and the '9' represents the following nine countries Bangladesh, Brazil, China, Egypt, India, Indonesia, Mexico, Nigeria and Pakistan. A consultation meeting of Education Ministers of E-9 Countries was held in April, 2021 through video conference.

Organisaion for Economic Co-operation and Development (OECD)

The Organisation for Economic Co-operation and Development is an international economic organisation of 38 countries founded in 1961, to stimulate economic progress and world trade.

The headquarter of OECD is located in Paris, France. The International Energy Agency and International Transport Forum are among specialised bodies of OECD.

South Asian Association for Regional Coorpoation (SAARC)

South Asian Association for Regional Coorpoation is the regional intergovernmental organisation and geopolitical union of states in South Asia. Its 8 member states are Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka.

The headquarter of SAARC is in Kathmandu and it was established on 8th December, 1985. The headquarters of SAARC Development Fund is situated in Thimpu, Bhutan.

The main objective of the SAARC is to promote peace, cooperation and prosperity among countries of the Indian Subcontinent. Its latest summit was organised in Kathmandu, Nepal in 2014.

SAARC Preferential Trading Arrangement (SAPTA)

The Agreement on SAPTA was signed on 11th April, 1993 and entered into force on 7th December, 1995. The Agreement reflected the desire of the Member States to promote and sustain mutual trade and economic cooperation within the SAARC region through the exchange of concessions.

South Asian Free Trade Area (SAFTA)

This agreement was finalised at the 12th summit of SAARC held in Islamabad on 6th January, 2004 with an objective of promoting trade and commerce between member countries.

It came into effect on 1st January, 2006. Under this agreement, member countries agreed to reduce customs duties on all traded goods to zero.

Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC)

It is an international organisation involving a group of countries in South Asia and South-East Asia. On 6th June, 1997, sub-regional grouping was formed in Bangkok and given the name BIST-EC

(Bangladesh, India, Sri Lanka and Thailand Economic Cooperation).

Later, Myanmar, Nepal and Bhutan became its full member, thus its name became BIMSTEC. It is headquartered in Dhaka, Bangladesh. BIMSTEC has fourteen priority sectors which cover all the areas of cooperation.

Association of South-East Asian Nations (ASEAN)

Association of South-East Asian Nations was established on 8th August, 1967 in Bangkok. It is an economic union comprising 10 member states in South-East Asia, which are Brunei, Combodia, Indonesia, Malaysia, Myanmar, Vietnam, Loos, Thailand, Singapore and Philippines.

It work accelerating economic growth, social progress and cultural development among its member countries. It also provides a mechanism to dissuss and deliberate on issues concerning its member countries.

ASEAN-India Free Trade Agreement (AIFTA)

It is a free trade area among the ten member states of the Association of South-East Asian Nations (ASEAN) and India.

The initial framework agreement was signed on 8th October, 2003 in Bali, Indonesia and the final agreement was reached on 13th August, 2009.

Shanghai Cooperation Organisation (SCO)

It is an Eurasian political and economic alliance between 8 member states-China, Russia, Tajikistan, Uzbekistan, Kyrgyzstan, Kazakhstan, India and Pakistan. It was formed in 2001 with its headquarters in Beijing.

SCO work towards cooperating each other on the issues related to terrorism, separatism and extremism. For this, it has established a Regional Anti Terrorist Structure (RATS), in 2004.

India, Brazil and South Africa (IBSA)

India, Brazil and South Africa is an international tripartite grouping for promoting international cooperation among these countries. It was established in 2003 by Brasilia Declaration.

IBSA was formed to promote South-South cooperation.

It aims at increasing the trade opportunities among the 3 countries and facilitating the trilateral exchange of information, technologies and skills to complement each other's strength.

BRICS

BRICS is the acronym coined to associate five major emerging economies i.e., Brazil, Russia, India, China and South Africa (BRICS). Since 2009, the governments of the BRICS states have met annually at formal summits. Jim O'Neil of Goldman Sachs coined the acronym 'BRIC' in 2001.

Objectives and Functions of BRICS

- To boost cooperation among member states and take steps to jointly respond to common challenges.
- To play a key role in reforming the world management systems and contribute towards maintaining economic growth, peace and security.
- To promote development of infrastructure and ensure macro-economic stability in the member countries through New Development Bank and Contingent Reserve Arrangement (CRA) respectively.

Regional Financial Institutions

New Development Bank (NDB)

New Development Bank formerly referred to as the BRICS Development Bank, is a multilateral development bank established by the BRICS states (Brazil, Russia, India, China and South Africa).

NDB was established in 2014 through Fortaleza declaration and is headquartered in Shanghai, China. K. V. Kamath was the first President of this bank. As of 8 September, 2021 countries are member of NDB.

NDB through its financial mechanism promotes cooperation and prosperity among developing countries.

Asian Infrastructure Investment Bank (AIIB)

Asian Infrastructure Investment Bank is a multilateral development bank that was established in 2015 to provide impetus to infrastructure development in Asia.

It was proposed by China in 2013 as an alternative to United States's dominated World Bank and IMF. Its headquarters is in Beijing and as of June, 2021, 103 countries are members of AIIB. The main objective of AIIB is to foster long-term economic development in the developing countries by providing soft loans for infrastructure development.

Asian Development Bank (ADB)

Asian Development Bank was established in 1966 on the recommendations of the United Nations Economic and Social Commission for Asia and the Pacific.

It provides financial as well as technical assistance to foster economic growth and co-operation among countries in Asia-Pacific. Its headquarters is in Manila, Philippines. India is the founding member as well as fourth largest shareholder of ADB after United States, Japan and China. The bank is engaged in promoting economic and social progress of its developing member countries by providing loans, equity investments and technical supports.

Eurasian Development Bank (EDB)

The Eurasian Development Bank is a regional development bank established by the Russian Federation and the Republic of Kazakhstan in 2006. It has six member states. The main objective of EDB is to promote integration among countries of Asia and Europe by financing infrastructure and connectivity projects in the region. The headquarters of EDB is in Almaty, Kazakhstan.

Bank for International Settlements (BIS)

Bank for International Settlements is an international financial institution established on 17th May, 1930 to foster cooperation among central banks of the member countries. Its headquarters is in Basel, Switzerland and as on June, 2021 central

banks of 62 countries are members of BIS. The mission of the Bank for International Settlements (BIS) is to serve central banks in their pursuit of monetary and financial stability, to foster international cooperation in those areas and to act as a bank for central banks.

Other Regional Organisation

Asia-Pacific Economic Co-operation (APEC)

<i>Establishment</i>	1989
<i>Headquarters</i>	Singapore
<i>Members of APEC</i>	21 Pacific Rim Countries (Australia, Singapore, South Korea, Thailand, United States, Indonesia, Japan, Philippines, Canada, Malaysia, New Zealand, Brunei, China, Mexico, Russia, Chile, Peru, Papua New Guinea, Hong Kong, Taiwan, Vietnam)

Objectives of APEC

- To assist growing inter-dependence among Asia-Pacific economies. APEC began as an informal dialogue group, but has now grown to become the primary regional vehicle for promoting open trade and practical economic co-operation among its members.
- The objective of APEC is to promote free and open trade in the Asia-Pacific region through trade and investment, liberalisation and facilitation.

Organisation of the Petroleum Exporting Countries (OPEC)

<i>Establishment</i>	1960
<i>Headquarters</i>	Vienna, Austria
<i>Members</i>	15 (Algeria, Angola, Congo, Gabon, Equatorial Guinea, Iran, Iraq, Kuwait, Libya, Nigeria, Saudi Arabia, UAE, Venezuela)
<i>Official Language</i>	English

Objectives of OPEC

OPEC's objective is to co-ordinate and unify petroleum policies among its member countries, in order to secure fair and stable prices for petroleum producers, an efficient, economic and regular supply of petroleum to consuming nations and a fair return on capital to those investing in the industry.

European Union (EU)

<i>Establishment</i>	18th April, 1951
<i>Headquarters</i>	Brussels, Belgium
<i>Members</i>	27

Objectives of European Union

- To strengthen the democratic legitimacy of institutions.
- To improve the effectiveness of the institutions.
- To establish an economic and monetary union.
- To develop the community social dimension.

Euro

It was the single currency of European Union, which came in circulation by 1999.

Euro Zone

Euro Zone was found under the Treaty of Maastricht. The Treaty of Maastricht (officially the Treaty on European Union) was signed by the 12 member states of the European Economic Community on 7th February, 1991 in Maastricht, Netherlands, after final agreement on 9th December, 1991. It entered into force on 1st November, 1993. The EU now has 27 member states.

Brexit

Brexit is an acronym for British Exit. It is used for the separation of the United Kingdom from European Union.

UK withdrew itself from the European union on 31st January, 2020.

This decision was Taken on the basis of referendum conducted in UK in 2016.

Common Market for Eastern and Southern Africa (COMESA)

<i>Establishment</i>	December, 1994
<i>Headquarters</i>	Lusaka, Zambia
<i>Members</i>	19 (Burundi, Comoros, Democratic Republic of Congo, Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Libya, Madagascar, Malawi, Mauritius, Rawandei Seychelles, Sudan, Switzerland, Uganda, Zambia, Zimbabwe)

Objectives of COMESA

- To cooperate in developing natural and human resources for the welfare of the people.
- The main focus is on the formation of a large economic and trading unit and to bring economic prosperity through regional integration.

The Southern Common

Market (MERCOSUR)

Establishment 1991 (by Treaty of Asuncion)

Headquarters Montevideo, Uruguay

Members 5 (Brazil, Argentina, Paraguay, Uruguay, Venezuela)

Official Language Portuguese, Guarani, Spanish

Objectives of MERCOSUR

- Free transit of produced goods, services and factors among member states.
- Fixing of a Common External Tariff (CET) and adoption of a common trade policy in order to ensure free competition between member states.

QUESTION BANK

1. Where is the head office of the International Monetary Fund (IMF)? [Andhra Bank 2011]
 (a) Paris (b) New York
 (c) Washington DC (d) Dhaka
 (e) Beirut
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. 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
4. The main function of the IMF is [Indian Overseas Bank 2011; Corporation Bank 2011]
 (a) to help solve balance of payments problems of member countries
 (b) to arrange international deposits from banks
 (c) to act as private sector lending arm of the World Bank
 (d) to finance investment loans to developing countries
 (e) None of the above
5. Voting rights in the IMF are distributed on the basis of
 (a) one country, one vote
 (b) proportion of 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
6. Special Drawing Rights are the rights of countries provided by [RBI Grade B 2011]
 (a) World Bank
 (b) IMF
 (c) ADB
 (d) Federal Reserve
 (e) None of the above
7. What does the letter 'D' denote in the term 'SDR' (as used in finance)?
 (a) Deposits (b) Data
 (c) Drawing (d) Debt
 (e) Dealers
8. SDR, is an international reserve asset, created by the IMF in
 (a) 1956 (b) 1963
 (c) 1969 (d) 1974
 (e) 1982

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- 9.** On which one of the following issues has IMF supported monetary policy of India?
[Indian Overseas Bank 2011]
- (a) Introduction of GST
 - (b) Stimulus for agriculture sector
 - (c) Concessions for foreign investment
 - (d) Tightening of monetary policy
 - (e) None of the above
- 10.** Which of the following statements is true about International Monetary Fund (IMF)?
[RBI Grade B 2011]
- (a) It provides ways and means funds to member countries
 - (b) It is an agency of the World Bank and is situated in Prague
 - (c) It makes all the rules and regulations in relation to the world trade between the nations
 - (d) On becoming its member, countries get finance as temporary balance of payment needs
 - (e) It is an organisation floated by the members of NATO and caters to the need of those countries only
- 11.** Which one of following institutions publish the report of 'World Economic Outlook'?
- (a) IMF
 - (b) World Bank
 - (c) RBI
 - (d) UNCTAD
 - (e) Citi Bank
- 12.** The United Nation Monetary and Financial Conference where in the agreements were signed to setup IBRD, GATT and IMF, commonly known?
- (a) Bandung Conference
 - (b) Bretton Woods Conference
 - (c) Versailles Conference
 - (d) Yalta Conference
 - (e) Geneva Conference
- 13.** The headquarters of World Bank is located at
- (a) Geneva
 - (b) Vienna
 - (c) New York
 - (d) Washington DC
 - (e) Brussels
- 14.** In which year was World Bank formed?
- (a) 1945
 - (b) 1956
 - (c) 1960
 - (d) 1988
 - (e) 1978
- 15.** Which of the following multilateral organisation is called as the World Bank?
- (a) International Bank for Reconstruction and Development (IBRD)
 - (b) International Banking System
 - (c) International Banking Management System
 - (d) None of the above
 - (e) All of the above
- 16.** The International Development Association (IDA) is an international financial institution which offers concessional loans and grants to the world's poorest developing countries. It is headquartered in [SBI Clerk 2016]
- (a) Washington DC, USA
 - (b) Vienna, Austria
 - (c) New York, USA
 - (d) New Delhi, India
 - (e) Berlin, Germany
- 17.** Name the organisation, which has forecasted the global growth for 2019 to 2.6% from earlier 2.9% in its semi-annual report 'Global Economic Prospect (GEP)'.
- (a) World Bank (WB) [SBI Clerk 2019]
 - (b) United Nations (UN)
 - (c) International Monetary Fund (IMF)
 - (d) Organisation for Economic Co-operation and Development (OECD)
 - (e) Asian Development Bank (ADB)
- 18.** Which organisation issues the 'Global Economic Prospects Report'? [IBPS PO 2019]
- (a) World Bank
 - (b) International Monetary Fund
 - (c) UNCTAD
 - (d) Asian Development Bank
 - (e) UN
- 19.** BOND-i is given by which institution? [IBPS Clerk 2018]
- (a) IMF
 - (b) RBI
 - (c) ADB
 - (d) World Bank
 - (e) SEBI
- 20.** Who is the watch dog of international trade?
- (a) World Bank
 - (b) WTO
 - (c) IMF
 - (d) ILO
 - (e) IBRD

- 21.** Where is the headquarters of World Trade Organisation?
 (a) New Delhi (b) New York
 (c) Geneva (d) Rome
 (e) None of these
- 22.** Which one of the following is the final session of the General Agreement on Tariff and Trade (GATT)?
 (a) Singapore Session (b) Geneva Session
 (c) Washington Session (d) Uruguay Session
 (e) Vienna Session
- 23.** When did World Trade Organisation come into force?
 (a) 2nd January, 1948
 (b) 1st January, 1995
 (c) 12th January, 1948
 (d) 15th January, 1946
 (e) 13th January, 1947
- 24.** The total number of member states of World Trade Organisation (WTO) as on June, 2021 are
 (a) 144 (b) 148
 (c) 150 (d) 164
 (e) 170
- 25.** Which of the following is the latest member of the World Trade Organisation?
 (a) Ukraine (b) India
 (c) Pakistan (d) Sri Lanka
 (e) None of these
- 26.** One of the main aims of General Agreement of Tariffs and Trade (GATT), and now of WTO, is to obtain
 (a) a general agreement on free imports and exports
 (b) a reduction of the burden of import and export duties on small trading nations
 (c) a reduction of tariffs by mutual negotiation and elimination of import quotas
 (d) improvement in economic condition of developing countries
 (e) None of the above
- 27.** Which of the following organisations issues the rules of global trade?
 (a) World Bank [Allahabad Bank 2011]
 (b) World Trade Organisation
 (c) Foreign Exchange Dealers' Association
 (d) Directorate General of Foreign Trade
 (e) None of the above
- 28.** The headquarters of the 'United Nations World Trade Organisation' is situated in [RBI Grade B 2016]
 (a) Madrid, Spain
 (b) Geneva, Switzerland
 (c) Washington DC, USA
 (d) Paris, France
 (e) Frankfurt, Germany
- 29.** The World Health Organisation (WHO) is a specialised agency of the United Nations (UN) that is concerned with international Public Health. It is headquartered at [IBPS PO 2013]
 (a) Sweden (b) Switzerland
 (c) United Kingdom (d) France
 (e) Germany
- 30.** What is the number of member states in the WHO?
 (a) 120 (b) 140
 (c) 164 (d) 165
 (e) 194
- 31.** The 42nd G-7 Summit in 2016 was held in which country? [RBI Grade B 2016]
 (a) Japan (b) Canada
 (c) France (d) Germany
 (e) India
- 32.** G15 is headquartered at
 (a) France (b) Switzerland
 (c) Sweden (d) UK
 (e) Germany
- 33.** The headquarter of Organisation for Economic Cooperation and Development (OECD) is in [SBI Clerk 2018]
 (a) London, UK
 (b) Vienna, Austria
 (c) Paris, France
 (d) Beijing, China
 (e) Rome, Italy
- 34.** India's foreign trade is maximum with
 (a) OPEC countries
 (b) OECD countries
 (c) East European countries
 (d) Developing countries (excluding the members of OPEC)
 (e) None of the above

- 35.** Which of the following international organisation has cut forecasts again for the global economy in 2019 and 2020, following on from previous downgrades in November, as it warned that trade disputes and uncertainty over Brexit would hit world commerce and businesses recently?

[SBI Clerk 2019]

- (a) WTO (b) World Bank
(c) OECD (d) IMF
(e) ADB

- 36.** The letter 'D' stands for which of the following in the abbreviated name OECD? Organisation of Economic Cooperation and

- (a) Defence (b) Direction
(c) Dominance (d) Development
(e) Devaluation

- 37.** SAARC was established on 8th December.....

- (a) 1945 (b) 1974
(c) 1985 (d) 1999
(e) 2001

- 38.** Which of the following nations is 'not' a member of SAARC? [SBI PO, 2014]

- (a) Nepal (b) Mauritius
(c) Bhutan (d) Afghanistan
(e) Maldives

- 39.** SAARC Development Fund Headquarters is located in which country? [SBI Clerk 2018]

- (a) Kathmandu, Nepal
(b) Islamabad, Pakistan
(c) Thimpu, Bhutan
(d) New Delhi, India
(e) Male, Maldives

- 40.** What is T in SAPTA?

- (a) Trading (b) Technical
(c) Trad (d) Time
(e) None of these

- 41.** SAFTA came into force on 1 January

- (a) 2001 (b) 2002
(c) 2003 (d) 2006
(e) 2011

- 42.** The headquarters of BIMSTEC is situated in

- (a) Dhaka (b) Bangkok
(c) Kathmandu (d) New Delhi
(e) Islamabad

- 43.** What is E in BIMSTEC?

- (a) Economic (b) Education
(c) East (d) Europe
(e) Exchange

- 44.** Which of the following is not a member of ASEAN?

- (a) Malaysia (b) Indonesia
(c) Vietnam (d) Britain
(e) Singapore

- 45.** ASEAN was established in 1967 in

- (a) Moscow (b) Bangkok
(c) Beijing (d) Tokyo
(e) Manila

- 46.** SCO was founded in 2001 in

- (a) Manila (b) Moscow
(c) Shanghai (d) Bangkok
(e) Tokyo

- 47.** IBSA established in by Brasilia Declaration.

- (a) 1980 (b) 1984 (c) 1997 (d) 2003
(e) 2008

- 48.** Which of the following countries is a member of BRICS? [RBI Assistant 2012]

- (a) Bhutan (b) Iran
(c) Romania (d) Sudan
(e) South Africa

- 49.** In addition to India and China the following nations are also members of 'BRICS'

[SBI Associate 2012]

- (a) Bangladesh, Russia and Sri Lanka
(b) Belgium, Romania and South Africa
(c) Belgium, Russia and Saudi Arabia
(d) Brazil, Russia and South Africa
(e) Bhutan, Russia and Sri Lanka

- 50.** The headquarter of National Development Bank (NDB) is situated in [IBPS Clerk 2019]

- (a) Shanghai, China (b) Washington DC, USA
(c) Frankfurt, Germany (d) Manilla, Philippines
(e) Beijing, China

- 51.** The headquarter of the Asian Infrastructure Investment Bank (AIIB) is located in

[SBI Clerk 2018]

- (a) Beijing (b) Shanghai
(c) Xinijiang (d) Hong Kong
(e) Xian

52. Where is the Head Office of Asian Development Bank (ADB)? [IBPS PO 2017]

- (a) Moscow, Russia
- (b) Manila, Philippines
- (c) Beijing, China
- (d) Tokyo, Japan
- (e) New Delhi, India

53. The head office of BIS is in

- (a) Manila
- (b) Beijing
- (c) Basel
- (d) Jakarta
- (e) Shanghai

54. Which of the following is not a member of Organisation of the Petroleum Exporting Countries (OPEC)?

- (a) Algeria
- (b) Brazil
- (c) Ecuador
- (d) Nigeria
- (e) All of the above

55. Which of the following countries is not a member of Organisation of the Petroleum Exporting Countries (OPEC)?

[SBI Associate 2012]

- (a) Angola
- (b) Libya
- (c) Bangladesh
- (d) Venezuela
- (e) Qatar

56. The headquarters of European Union is situated in

- (a) Geneva, Switzerland
- (b) London, United Kingdom
- (c) Paris, France
- (d) Brussels, Belgium
- (e) Vienna, Austria

57. Euro was the single currency of European Union, which came in circulation by

[Corporation Bank 2011]

- (a) 1970
- (b) 1985
- (c) 1999
- (d) 2002
- (e) 2007

Answers

1. (c)	2. (d)	3. (c)	4. (a)	5. (d)	6. (b)	7. (c)	8. (c)	9. (d)	10. (d)
11. (a)	12. (b)	13. (d)	14. (a)	15. (a)	16. (a)	17. (a)	18. (a)	19. (d)	20. (b)
21. (c)	22. (d)	23. (b)	24. (d)	25. (e)	26. (c)	27. (b)	28. (b)	29. (b)	30. (e)
31. (a)	32. (b)	33. (c)	34. (b)	35. (c)	36. (d)	37. (c)	38. (b)	39. (c)	40. (a)
41. (d)	42. (a)	43. (a)	44. (d)	45. (b)	46. (c)	47. (d)	48. (e)	49. (d)	50. (a)
51. (a)	52. (b)	53. (c)	54. (b)	55. (c)	56. (d)	57. (c)			

IMPORTANT GOVERNMENT SCHEMES

Financial Schemes

Atmanirbhar Bharat Abhiyan

The Atmanirbhar Bharat Abhiyan (meaning Self-Reliant India Scheme) was announced in four tranches by the Union Finance Minister Nirmala Sitharaman in **May, 2020**.

The economic stimulus relief package announced by the government of about **₹ 20 lakh crores**.

The package includes measures for many sectors such as Micro, Small and Medium Enterprise (MSME), cottage industries, middle class migrants, industry, etc.

Pradhan Mantri Laghu Vyapari Maan-Dhan Scheme

National Pension Scheme for Traders, Shopkeepers and Self-Employed Persons (originally proposed name was Pradhan Mantri Laghu Vyapari Maan-Dhan Scheme) has been launched on **12th September, 2019**. It is a voluntary and contributory

pension scheme. Enrollment to the scheme is done through the Common Service Centres, with its network of **3.50 lakh** Centres across the country.

The traders in the age group of **18-40 years** with an annual turnover, not exceeding **₹ 1.5 crore** and who are not a member of EPFO/ESIC/ NPS/PM-SYM or an income tax payer, can join the scheme.

Under the scheme, 50% monthly contribution is payable by the beneficiary and equal matching contribution is paid by the Central Government. Subscribers, after attaining the age of 60 years, are eligible for a monthly minimum assured pension of **₹ 3000**.

Ujala Yojana

This scheme was launched in Bhopal, Madhya Pradesh on **30th April, 2016**. The Ujala scheme is being implemented by Energy Efficiency Services Limited (EESL), a joint venture of PSUs under the Union Ministry of Power. The scheme will help to reduce electricity bills of consumers, contribute to

the energy security of India and also help in environment protection. The main motive of this scheme is to promote the energy efficiency in the country.

Ujwal Discom Assurance Yojana (UDAY)

It was launched on **20th November, 2015** under Ministry of Finance. The scheme aims to reduce the interest burden, cost of power, power losses in distribution sector and improve operational efficiency of DISCOMs.

The scheme aims for financial turnaround and revival of electricity distribution companies (Discoms) by providing generous rehabilitation packages. It allows state governments, which own the DISCOMs, to takeover 75% of their debt and payback lenders by selling bonds. DISCOMs are expected to issue bonds for the remaining 25% of their debt.

Sovereign Gold Bonds Scheme

This scheme was launched on **5th November, 2015**. Under this scheme, sovereign Gold Bonds are issued by the RBI on behalf of the Government of India in rupees and denominated in grams of gold and restricted for sale to the resident Indian entities both in demat and paper form.

The minimum and maximum investment limits are **2 grams** and **500 grams** of gold per person per fiscal year respectively. The rate of interest for the year 2015-16 is 2.75% per annum, payable on a half yearly basis. The tenure of the Bond is for a period of 8 years with exit option from fifth year onwards. KYC norms are the same as that for gold. Exemption from capital gains tax is also available.

Eligible investors of SGB include individuals, Hindu Undivided Families (HUFs), trust, universities and charitable institutions.

Redemption is made in the rupee value equivalent to the price of gold at the time of maturity.

Gold Monetisation Scheme

This scheme was also launched on **5th November 2015** to reduce the demand for physical gold and

shift a part of the gold imported every year for investment purposes into financial savings.

Bureau of Indian Standards (BIS) certified Collection, Purity Testing Centres (CPTCs) to collect the gold from the customer on behalf of the banks. The minimum quantity of gold (bullion or jewellery) which can be deposited is **30 grams** and there is no limit for maximum deposit.

Gold Saving Account can be opened with any of the designated bank and denomination in grams of gold for short-term period of **1-3 years**, a medium-term period of 5-7 years and a long-term period of **12-15 years**.

Redemption is made in cash/gold for short-term and in cash for medium and long-term deposits.

Atal Pension Yojana (APY)

It was relaunched by PM Narendra Modi on **9th May, 2015 in Kolkata**. The idea of APY is to provide a definite pension to all Indians. However, in order to get pension during your old age, you need to contribute accordingly.

An Indian national within the age group of 18 to 40 years is eligible to contribute under APY. There is also a policy under the scheme, wherein if the pension account holder dies, the contributions would go to the family or the nominee of the account.

Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY)

PMJJBY was launched by PM Narendra Modi on **9th May, 2015** in Kolkata. The PMJJBY is available to people in the age group of **18 to 50 years** and having a bank account.

People who join the scheme before completing 50 years can, however, continue to have the risk of life cover upto the age of 55 years subject to payment of premium. Aadhar would be the primary Known Your Customers (KYC) for the bank account.

The premium is **₹ 330 per annum** which will be auto-debited in one installment.

Further risk coverage is **₹ 2 lakh** in case of death for any reason will be provided. The scheme will be

offered by Life insurance Corporation (LIC) of India and all other life insurers who are willing to join the scheme and tie-up with banks for this purpose.

Pradhan Mantri Suraksha Bima Yojana (PMSBY)

It is an accident insurance scheme launched by the Government of India in **2015** to support poor households in India. The premium is just **₹ 12 per annum** for each member. The aspirants should have completed 18 years of age or should not be more than 70 years of age in order to get benefit of PMSBY. It provides **₹ 2 lakh** of insurance benefits in care of premature death.

Pradhan Mantri Jan Dhan Yojana (PMJDY)

PMJDY was introduced on **15th August, 2014** by Prime Minister Narendra Modi. It is a part of financial inclusion drive of the government of India and initially allotted the target of opening 7.5 crores basic bank accounts for unbanked segments in the country. The scheme entails a 'no-frills account' with an overdraft facility of ₹ 10,000 and a RuPay Debit Card. The slogan of PMJDY is 'Mera Khata-Bhagya Vidhyata'.

Under this scheme accidental insurance of **₹ 2 lakh** is available to all RuPay Card holders in the age group of 18-70. Here, RuPay Card need to be used once in 45 days of receipt.

The claim intimation should be given to his or her bank where account is maintained within 30 days from the date of accident.

Direct Benefit Transfer (DBT)

DBT was launched by the Government of India on **1st January, 2013**. The government has decided to initiate direct transfer of subsidy under various social schemes into beneficiaries' bank accounts.

The transfer will be enabled through a payments bridge known as Aadhar Payment Bridge (APB), wherein funds can be transferred into any

Aadhar-enabled bank account on the basis of the Aadhar number.

This eliminates chances of fraud or error in the cash transfer process.

The Aadhar number will be linked to the beneficiary database, so that ghosts or duplicates are weeded out from the beneficiary list.

Rashtriya Swasthya Bima Yojana (RSBY)

The RSBY was launched on **1st October, 2007**, to provide smart card-based cashless health insurance cover of **₹ 30,000** per family per annum on a family floater basis to BPL families (a unit of five) in the unorganised sector.

The scheme became operational from 1st April, 2008. The premium is shared on 75:25 basis by the Centre and State Governments. In the case of the North-Eastern states and Jammu and Kashmir, the premium is shared in a 90:10 ratio.

Aam Admi Bima Yojana (AABY)

The Janashree Bima Yojana (JBY) has now been merged with the AABY to provide better administration of life insurance cover to the economically backward sections of the society. AABY was launched on **2nd October, 2007**.

The scheme extends life and disability cover to persons between the age of **18 and 59 years** living below and marginally above the poverty line under 47 identified vocational and occupational groups, including 'rural landless households.'

It provides insurance cover of a sum of **₹ 30,000** on natural death, **₹ 75,000** on death due to accident, **₹ 37,500** for partial permanent disability due to accident and **₹ 75,000** on death or total permanent disability due to accident.

The scheme also provides an add-on benefit of scholarship of **₹ 100** per month per child paid on half-yearly basis to a maximum of two children per member studying in **classes 9 to 12** (including ITI course.)

Employment Skill Development Schemes

PM-Street Vendor's Aatmanirbhar Nidhi (PM-SVA Nidhi) Scheme

The PM-SVA Nidhi Scheme was launched by the Ministry of Housing and Urban Affairs, on **1st June, 2020**. It aims to provide affordable working capital loans to street vendors to resume their livelihoods that have been affected due to Corona Virus Lockdown.

It targets over 50 lakh street vendors who would be eligible to avail a working capital loan of up to ₹ 10,000 whose businesses were operational on or before 24th March, 2020. This scheme provides flexible loan repayment mechanism through monthly installments.

Startup India Mission

Startup India campaign is based on an action plan aimed at promoting bank financing for startup ventures to boost entrepreneurship and encourage startups with jobs creation. It was launched on **16th January, 2016**.

It is focused to restrict role of states in policy domain and to get rid of 'licence raj' and hindrances like in land permissions, foreign investment proposal, environmental clearances. It was organised by Department of Industrial Policy and Promotion (DIPP).

Under this scheme, single Window Clearance even with the help of a mobile application. A ₹ 10,000 crore fund of funds to support and provide seed funds to the startups will be created.

The government will provided 80% reduction in patent registration fee. The startups will get freedom from mystifying inspections for 3 years. and freedom from Capital Gain Tax for 3 years.

Standup India Scheme

Standup India Scheme was launched in **2016** to facilitates loans between ₹10 lakh and ₹ 1 crore to at least one Scheduled Caste or Scheduled Tribe borrower and at least one Woman borrower per bank branch for setting up a Greenfield

enterprise. This enterprise may be in manufacturing, services or trading.

In case of non-enterprise individual, at least services or trading and in case of non-enterprise individual, at least 51% of share holding and controlling stake should be held by either an SC/ST or woman entrepreneur.

Under this scheme, loan between ₹ 10 lakh and ₹ 1 crore, inclusive of working capital component for setting up any enterprise. Debit Card (RuPay) for drawal of working capital. The Government will create a Refinance window through Small Industries Development Bank of India (SIDBI) with an initial amount of ₹ 10,000 crore.

Pradhan Mantri Kaushal Vikas Yojana (PMKVY)

It is a demand-driven, reward-based skill training scheme. PMKVY is formed to provide skill training to class 10 and 12 dropout youths across the country.

The objective of this Skill Certification Scheme is to enable a large member of Indian youths to take up industry-relevant skill training that will help them in securing a better livelihood.

It is implemented by the Union Ministry of Skill Development and Entrepreneurship through the National Skill Development Corporation (NSDC) and its training partners.

Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS)

The National Rural Employment Guarantee Act (NREGA) was enacted in **2005**. It was implemented in three phases, starting with 200 districts in 2006 to cover the whole country by 2008. On 2nd October, 2009, it was renamed as Mahatma Gandhi National Rural Employment Guarantee Scheme.

The scheme seeks to provide at least 100 days (150 days for tribals) of guaranteed wage employment in one financial year to at least one adult member of every rural household who volunteer to do unskilled manual work. Among these Atleast 33% of the beneficiaries are to be women.

The wages provided under this scheme have been linked to increase with Consumer Price Index for Agricultural Labour (CPI-AL) for each state.

It focuses on works related to water conservation, drought proofing, land development, flood control, rural connectivity through all weather roads, etc.

It provides time bound employment guarantee and wage payment within 15 days. A 60:40 wage to material ratio has to be maintained to ensure greater employment generation.

Agricultural Schemes

Ayushman Sahakar Scheme

The Ministry of Agriculture and Farmers Welfare has launched Ayushman Sahakar on **19th October, 2020**, to assist cooperatives in creation of healthcare infrastructure in the country.

Under this scheme, National Cooperative Development Corporation (NCDC) would provide credit facilities worth **₹10,000** to cooperatives who will undertake healthcare infrastructure improvement projects in the rural areas of the country.

Any Cooperative Society with suitable provision can undertake healthcare related activities would be able to access the NCDC fund.

The scheme covers establishment, modernisation, expansion, repairs, renovation of hospital and healthcare and education infrastructure. NCDC assistance will flow either through the State governments/UT Administrations or directly to the eligible cooperatives.

Pradhan Mantri Matsya Sampada Yojana

On **10th September, 2020**, Prime Minister Narendra Modi has officially launched the Pradhan Mantri Matsya Sampada Yojana through video conferencing.

During the period 2020-2021 to 2024-25, estimated investment of ₹ 20,050 crore is going to be done by the Government for this scheme.

Out of this, ₹12,340 crore is proposed for beneficiary-oriented activities in marine, inland

fisheries and aqua-culture and about ₹ 7710 crore for fisheries infrastructure.

The scheme aims to enhance fish production by an additional 70 lakh tonne till 2024-25. It also seeks to increase fisheries export earnings to ₹ 1,00,000 crore and double the incomes of fishermen.

KUSUM Scheme

The Kisan Urja Suraksha evam Utthaan Mahaabhiyan (KUSUM) scheme was launched by union government in **2019** to promote decentralised solar power production of upto **20,250 MW**. It will serve two purposes i.e., increase farmer's income and reduce dependency on fossil fuels for energy generation. The Union Budget 2018-19 has allocated ₹ 48,000 crore for the scheme for the ten-year period. Government will provide 60% subsidy on solar pumps to farmers. The subsidy will be shared between Centre and States while 30% will be provided through bank loans. The balance cost will be borne by the farmers.

Pradhan Mantri Kisan Maan-Dhan Yojana

The Pradhan Mantri Kisan Maan-Dhan Yojana (PMKMY) was launched at Ranchi, Jharkhand by the Prime Minister Narendra Modi on **12th September, 2019**. This scheme is fully funded by Union Government and is applicable to farmers aged between 18 to 40 years.

The beneficiary can become a member of the PM KMY Scheme by registering under the pension fund managed by the Life Insurance Corporation (LIC) of India.

The members are thus required to make a monthly contribution to the Pension Fund between **₹ 55 to ₹ 200**, depending on their age with the provision of equal contribution by the Central Government. This scheme is applicable for all the small and marginal farmers.

PM Kisan Samman Nidhi Yojana (PM KISAN)

PM KISAN is a Central Sector Scheme, with 100% funding from the Government of India. It was started on **24th February, 2019** and became

operational retrospectively from 1st December, 2018. Under this scheme an income support of ₹ 6000 per year in three equal installment is provided to small and marginal farmers.

It aims to supplement the financial needs of the farmers in procuring various inputs to ensure crop health and appropriate yields.

Pradhan Mantri Fasal Bima Yojana

This is the new crop damage insurance scheme that has been approved by the Union Cabinet in **January, 2016**. It will replace the existing 2 insurance schemes NAIS and Modified NAIS.

The theme of the scheme is 'One Nation-One Scheme'. In this, all shortcomings and weaknesses of all previous schemes were removed and incorporated with the best features of all schemes.

There will be a uniform premium of only 2% to be paid by farmers for all Kharif crops and 1.5% for all Rabi crops. In case of annual commercial and horticultural crops, the premium to be paid by farmers will be only 5%.

The premium rates to be paid by farmers are very low and balance premium will be paid by the government to provide full insured amount to the farmers against crop loss on account of natural calamities.

Industrial Development Scheme

Atmanirbhar Bharat Rozgar Yojana

Atmanirbhar Bharat Rozgar Yojana is being launched to boost employment in formal sector and incentivise creation of new employment opportunities during the COVID recovery phase under **Atmanirbhar Bharat Package 3.0**.

This scheme was launched by Union Finance Minister Nirmala Sitaraman on 12th November, 2020 and will be operational for the period 2020-2023.

An employee drawing monthly wage of less than ₹ 15,000/- who was not working in any establishment registered with the Employees' Provident Fund Organisation (EPFO) before 1st October, 2020 and did not have a Universal Account

Number or EPF Member Account Number prior to 1st October, 2020 is eligible for this scheme.

Make in India

Make in India is a Government of India Scheme launched by Prime Minister Narendra Modi on **25th September, 2014**. The main aim of the scheme is to encourage companies to manufacture in India and incentivise dedicated investments into manufacturing.

The logo of Make in India is Lion which symbolises manufacturing, national pride and Strength. The scheme focuses on increasing the share of the manufacturing sector in the GDP to 25% by 2022 and to create 100 million additional jobs in this sector.

It covers **27 focus sectors** (15 from manufacturing and rest from service sector) to enhance the global competitiveness of the Indian Industrial Sector.

The Indian Government, since independence, has been launching various multi-dimensional social welfare programmes. Some important bank and finance related schemes are as follows

Credit Guarantee Fund Scheme for Micro and Small Enterprises

The Credit Guarantee Fund Scheme for Micro and Small Enterprises has been launched in 2000 to make available collateral-free credit to the micro and small enterprises sector.

The guarantee cover available under the scheme is to the extent of 75% of the sanctioned amount of the credit facility.

Social Security Schemes

Ayushman CAPF Scheme

Union Home Minister Amit Shah launched the 'Ayushman CAPF' Scheme on **23rd January, 2021** for personnel and dependents of the Central Armed Police Forces during a function in Guwahati, Assam. The scheme covers about 28 lakh Central Armed Police Forces and their families in all the states where Ayushman Bharat-Pradhan Mantri Jan Arogya Yojana is operational.

The scheme was fully implemented by 1st May, 2021 and it provides complete paperless and cashless services.

Ayushman Bharat-National Health Protection Mission

Ayushman Bharat-National Health Protection Mission (AB-NHPM) was launched on **14th April, 2018** under Ministry of Health and Family Welfare.

Under Ayushman Bharat, the government aims to set up 1.5 lakh wellness centres by 2022 that will leverage on comprehensive primary healthcare for preventive, promotive and curative care. The scheme has the benefit cover of ₹ 5 lakh per family per year.

The target beneficiaries of the proposed scheme will be more than 10 crore families belonging to poor and vulnerable population based on Socio Economic and Caste Census (SECC) database.

AB-NHPM will subsume the ongoing centrally sponsored schemes-Rashtriya Swasthya Bima Yojana (RSBY) and the Senior Citizen Health Insurance Scheme (SCHIS).

Pradhan Mantri Vaya Vandana Yojana (PMVVY)

Government has launched the Pradhan Mantri Vaya Vandana Yojana (PMVVY) in **May, 2017** to provide social security during old age and to protect elderly persons aged 60 and above against a future fall in their interest income due to uncertain market conditions.

The scheme enables old age income security for senior citizens through provision of assured pension/return linked to the subscription amount based on government guarantee to Life Insurance Corporation (LIC) of India.

Rashtriya Vayoshri Yojana

Rashtriya Vayoshri Yojana is a scheme for providing physical aids and assisted-living devices for senior citizens belonging to BPL category. It was launched in Nellore, Andhra Pradesh on **1st April, 2017**. It is the first of its kind Central Sector Scheme (CSS) in India, to be fully funded by the Central Government.

Pradhan Mantri Awaas Yojana (PMAY)

The rural housing scheme Indira Awaas Yojana (IAY), started by former Prime Minister Rajiv Gandhi, has been restructured and renamed as Pradhan Mantri Awaas Yojana (PMAY) on **21st September, 2016**.

Under the new modified PMAY Scheme, the sharing pattern between the Centre and States is in the ratio of 60 : 40 (except for Himalayan and North-Eastern States), but the grant would be transferred directly into the bank account of beneficiaries, who had been selected on the basis of socio-economic caste census of 2011.

This scheme has two components i.e., both for urban and rural households and seeks to provide housing for all by 2022.

The urban component of this scheme is operated by Ministry of Housing and Urban Affairs and the rural component is operated by Ministry of Rural Development.

For the rural component, the initial target of this scheme was to construct 1 crore pucca houses which was later extended to 2.95 crore.

Deen Dayal Upadhyay Antyodaya Yojana-Urban

The Deen Dayal Upadhyay Antyodaya Yojana-Urban was launched on **25th September, 2014**. It covers urban areas all the **4041 statutory cities** and towns, thereby covering almost the entire urban population.

When this scheme was launched, all the urban poverty alleviation programme covered only 790 towns and cities. This scheme had increased the ambit of poverty alleviation programme to all town and cities. It focuses on imparting skills with an expenditure of ₹ **15,000 to ₹ 18,000** on each urban poor.

Promotion of self-employment through setting up individual micro-enterprises and group enterprises with interest subsidy for individual projects costing ₹ 2 lakhs and ₹ 10 lakhs for group enterprises will be undertaken under this scheme.

Training urban poor to meet the huge demand from rising middle class by imparting market oriented skills through 'City Livelihood Centres'. Each centre would be given a capital grant of ₹ 10 lakh.

PAHAL

Pratyaksh Hanstantrit Lab (PAHAL) scheme was launched by Ministry of Petroleum and Natural Gas in **2013**.

Under this scheme LPG subsidy is directly provided to the banking account of households through digital means. The main aim of this scheme is to curb the diversion of subsidised LPG.

Woman and Child Development Schemes

Pradhan Mantri Matru Vandana Yojana

Pradhan Mantri Matru Vandana Yojana (PMMVY) is a maternity benefit program run by the Government of India. It was introduced in **2017** and is implemented by the Ministry of Women and Child Development.

It is a conditional cash transfer scheme for pregnant and lactating women of 19 years of age or above for the first live birth. It provides a partial wage compensation to women for wage-loss during childbirth and child scare and to provide conditions for safe delivery and good nutrition and feeding practices.

In 2013, the scheme was brought under the National Food Security Act, 2013 to implement the provision of cash maternity benefit of ₹ 6000 (US\$84) stated in the Act. Presently, the scheme is implemented on a pilot basis in 53 selected districts.

Pradhan Mantri Ujjwala Yojana

Prime Minister Narendra Modi has launched Pradhan Mantri Ujjwala Yojana on **1st May, 2016** (Labour Day) at Ballia (UP) by providing cooking gas connections to 10 women.

The objective of the scheme is to provide cooking gas connections to beneficiaries below the poverty line.

Under this scheme, free LPG gas connection in the name of the female member. It will contain a cylinder and a regulator. The scheme is applicable to both rural and urban poor BPL families and as of January, 2021 release of 8 crore LPG connections under this scheme has helped in increasing the LPG coverage from 62% on 1st May, 2016 to 99.8% as on 1st April, 2021.

Pradhan Mantri Surakshit Matritva Abhiyaan (PMSMA)

This scheme was launched in 2016 by the Ministry of Health and Family Welfare (MoHFW) to provide assured, comprehensive and quality antenatal care to all pregnant women, on the 9th of every month.

It guarantees a minimum package of antenatal care services to women in their 2nd/3rd trimester of pregnancy, free of cost at designated government health facilities.

The main objective of this scheme is to decrease Material Mortality Rate (MMR) in India. In 2018, Himachal Pradesh bagged the top position under PMSMA.

Sukanya Samridhi Scheme

Prime Minister Narendra Modi has launched 'Sukanya Samridhi Yojana' (Girl Child Prosperity Scheme) with the vision to provide for girl child education and her marriage expense. It was launched on **22nd January, 2015** as a part of the Beti Bachao, Beti Padhao campaign.

Under this scheme, saving bank account can be opened by parents of girl child between her birth and the time she attains 10 years age in any branch of authorised commercial bank.

For opening account under this scheme, the girl must be under the age of 10 years to open account and a minimum of ₹ 250 and maximum of ₹ 1,50,000 can be deposited annually. When the girl child attains the age of 18 years, she would become eligible to operate the account herself.

Under the scheme, for higher education, the girl child can withdraw 50% of the money after reaching the age of 18 years.

Janani Suraksha Yojana (JSY)

The JSY was launched in **2005**, aims to bring down the Maternal Mortality Ratio (MMR) by promoting institutional deliveries conducted by skilled birth attendants.

It is being implemented with the objective of reducing maternal and neonatal mortality by promoting institutional delivery among poor pregnant women. Under this scheme, pregnant women belonging to below poverty line families and SC, ST families will get an assistance of ₹ 500 if delivered at home, ₹ 600 for urban institutional

delivery, ₹ 700 for delivery in health centers in rural areas and ₹ 1500 for cesarean delivery.

This benefit is available if delivered in recognised private health institutions other than government hospitals also.

Rashtriya Mahila Kosh (RMK)

The RMK provides micro-credit in a quasi-informal manner, lending to Intermediate Micro-credit Organisation (IMO) across states.

It focuses on poor women and their empowerment through the provision of credit for livelihood-related activities.

New Schemes of Central Government

Names of Schemes	Facts
Pradhan Mantri Kaushal Vikas Yojana 3.0	The government of India launched the third phase of Pradhan Mantri Kaushal Vikas Yojana (PMKVY) 3.0 on 15th January, 2021. The scheme has been rolled out for the current financial year and it was implemented by the Ministry of Skill Development and Entrepreneurship.
PM-WANI	The Cabinet approved a public Wi-Fi access network called PM-WANI (Wi-Fi Access Network Interface) on 9th December, 2020 to enable establishment of easily accessible public Wi-Fi hotspots spread across the country. The public network will set up by the Public Data Office Aggregators (PDOAs) to provide Wi-Fi service through the Public Data Offices (PDOs) spread throughout the country.
PM Jeevan Jyoti Bima Yojana	The India Post Payments Bank (IPPB) has announced the launch of Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) in partnership with PNB Met Life India Insurance Company Limited for its customers on 24th November, 2020. The PMJJBY will provide protection and financial security of ₹ 2 lakh to the poor and under privileged, especially in unbanked and remote areas of India.
LTC Cash Voucher Scheme	Finance Minister Nirmala Sitharaman announced Leave Travel Concession (LTC) Cash Voucher Scheme for government employees with an aim to increase consumer spending, on 12th October, 2020. Under this scheme, government employees can opt to receive cash amounting to leave encashment and three times the ticket fare to purchase items that attract GST of at least 12%.
PM Garib Kalyan Package Insurance Scheme for Health Workers Fighting COVID-19	This scheme provides insurance protection to health workers in case of loss of life due to COVID-19 and accidental death on account of COVID-19 related duty. Under this scheme, ₹ 50 lakhs will be provided to claimant of the insured person. It was launched on 30th March, 2020 and has been extended till April, 2022.
Five Star Villages Scheme	The Department of Posts has launched Five Star Villages Scheme to ensure 100% rural coverage postal schemes on 10th September, 2020. The scheme aims to bridge the gaps in public awareness and reach of postal products and services, especially in interior villages.

Names of Schemes	Facts
Accelerate Vigyan Scheme	The Science and Engineering Research Board (SERB) has launched a new scheme called 'Accelerate Vigyan' to provide a single platform for research, internships, capacity building programs and workshops across the country.
Pradhan Mantri Garib Kalyan Anna Yojana	Pradhan Mantri Garib Kalyan Anna Yojana was launched on 30th June, 2020 but later it was extend till November, 2021. The scheme was announced in the wake of COVID-19 pandemic, to provide free foodgrains to the people.
Garib Kalyan Rojgar Abhiyaan	PM Narendra Modi launched 'Garib Kalyan Rojgar Abhiyan' from Telihar village in Khagaria District of Bihar on 20th June, 2020 to empower and provide livelihood opportunities to the returnee migrant workers and rural citizens.
Nagar Van Scheme	Union Environment Minister Prakash Javadekar has launched the Nagar Van (Urban Forest) Programme on 5th June, 2020 to promote and conserve biodiversity in urban landscapes. Under the scheme, around 200 urban forests will be developed all over the country in the next five years.
Electronics Manufacturing Scheme 2.0	The Ministry of Electronics and Information Technology (MEITY) has launched the Electronics Manufacturing Scheme 2.0 with an outlay of ₹ 50,000 crore on 2nd June, 2020. It provides financial assistance for setting up of both Electronic Manufacturing Cluster (EMC) and Common Facility Centres (CFCs) across the country.
Scheme to Solarise Entire Konark Temple & Konark Town	The Ministry of New and Renewable Energy (MNRE) has launched a scheme for complete solarisation of Konark Sun Temple and Konark Town in Odisha, on 20th May, 2020. The scheme mainly aims at promoting solar energy.
Swamitva Scheme	PM Narendra Modi has launched Swamitva Scheme on the occasion of National Panchayati Raj Day (24th April, 2020). Under the scheme, latest surveying technology such as drones will be used for measuring the inhabited land in villages and rural areas.
Adivasi Mahila Sashaktikaran Yojana	The National Scheduled Tribes Finance and Development Corporation (NSTFDC) has launched Adivasi Mahila Sashaktikaran Yojana for tribal women on 8th March, 2020. It is an exclusive concessional scheme for the economic development of eligible Scheduled Tribe women to enhance their standard of life by providing financial independence.



QUESTION BANK

- 1.** Atmanirbhar Bharat Abhiyan was announced by
 - (a) Nirmala Sitharaman
 - (b) Amit Shah
 - (c) Nitin Gadkari
 - (d) Biren Singh
 - (e) SVA Nidhi
- 2.** Pradhan Mantri Laghu Vyapari Maan-Dhan Scheme is a
 - (a) Pension Scheme
 - (b) Insurance Scheme
 - (c) Direct Transfer Scheme
 - (d) Old Age Scheme
 - (e) Employment Scheme
- 3.** Age limit of Pradhan Mantri Laghu Vyapari Maan-Dhan Scheme is
 - (a) 15-15 yr
 - (b) 20-60 yr
 - (c) 18-70 yr
 - (d) 15-70 yr
 - (e) 18-40 yr
- 4.** 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 2019]
 - (a) Leaders
 - (b) Foreign customers
 - (c) PSBs
 - (d) NBFC
 - (e) Universities
- 5.** Atal Pension Yojana (APY) Scheme's subscriber base crossed 1 crore on completion of 3 years of the scheme launch. APY was launched by the Prime Minister of India, Narendra Modi at a function in Kolkata on [SBI PO 2018]
 - (a) 9th May, 2015
 - (b) 10th June, 2016
 - (c) 20th June, 2017
 - (d) 20th December, 2017
 - (e) 31st October, 2019
- 6.** Age limit for Atal Pension Yojana is [IBPS 2017]
 - (a) 18 to 40
 - (b) 20 to 40
 - (c) 15 to 40
 - (d) 20 to 50
 - (e) 21 to 55
- 7.** Which one of the following schemes provide upto ₹ 2 lakh accidental death insurance to the people in the age group of 18-70 years?
 - (a) Atal Pension Yojana
 - (b) Pradhan Mantri Jeevan Jyoti Bima Yojana
 - (c) Pradhan Mantri Suraksha Bima Yojana
 - (d) Atal Jeevan Bima Yojana
 - (e) Aam Admi Bima Yojana
- 8.** Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) and Pradhan Mantri Suraksha Bima Yojana (PMSBY) will cover
 - (a) PMJJBY-all the savings account holders of the age group 18-50 for death due to any cause
 - (b) PMSBY will cover all the savings account holders of the age group 18 to 70 for accidental disability or death
 - (c) The premium for PMJJBY is 330 per year The premium for PMSBY is ₹ 12 per year
 - (d) All of the above
 - (e) None of the above
- 9.** PMSBY scheme is a/an [IBPS Clerk 2015]
 - (a) Educational Scheme
 - (b) Housing Scheme
 - (c) Rural Development Scheme
 - (d) Pension Scheme
 - (e) Accidental Insurance Cover Scheme
- 10.** Scheme related to financial inclusion.
 - (a) Make in India [UBI PO 2016]
 - (b) Swachh Bharat Abhiyan
 - (c) Atal Pension Yojana
 - (d) Pradhan Mantri Jan Dhan Yojana
 - (e) Startup-Standup India
- 11.** Pradhan Mantri Jan-Dhan Yojana has been launched for
 - (a) Providing housing loan to poor people at cheaper interest rates
 - (b) Promoting women's self-help groups in backward areas
 - (c) Promoting financial inclusion in the country
 - (d) Providing financial help to the marginalised communities
 - (e) All of the above

- 12.** Who bears the premium payable to the insurance company under accidental insurance cover under PMJDY Scheme?
 (a) Government of India [IBPS Clerk 2014]
 (b) 50% by account holder and rest by the bank
 (c) NPCI
 (d) Account holder
 (e) RBI
- 13.** Under the PMJDY, the government is looking to open atleast basic bank accounts for unbanked segments in country.
 [IBPS Clerk 2014]
 (a) 7.5 crore (b) 1.8 crore
 (c) 5.7 crore (d) 3 crore
 (e) 4.5 crore
- 14.** The Direct Benefit Transfer (DBT) will be enabled through a payments bridge known as
 (a) AABY (b) APY (c) ABB (d) APB
 (e) AAY
- 15.** DBT was launched by the government of India in [IBPS 2017]
 (a) 2000 (b) 2005 (c) 2011 (d) 2012
 (e) 2013
- 16.** Age limit of Aam Admi Bima Yojana is [IBPS 2011]
 (a) 18 to 40 (b) 18 to 50
 (c) 18 to 55 (d) 18 to 59
 (e) 18 to 70
- 17.** Aam Admi Bima Yojana provides social security to
 (a) economically backward sections
 (b) armed police forces
 (c) all labour only
 (d) all labour in urban area
 (e) unemployed person
- 18.** PM SVA Nidhi Scheme was launched by
 (a) Ministry of Housing and Urban Affairs
 (b) Ministry of Health and Family Welfare
 (c) Ministry of Finance
 (d) All of the above
 (e) None of the above
- 19.** Startup India Campaign has been launched in
 (a) 2015 (b) 2016
 (c) 2014 (d) 2017
 (e) 2018
- 20.** PMKVY stands for
 (a) Pradhan Mantri Kuch Vikas Yojana
 (b) Pradhan Mantri Kisan Vikas Yojana
 (c) Pradhan Mantri Kaushal Vikas Yojana
 (d) Pradhan Mantri Knowledge Vikas Yojana
 (e) Pradhan Mantri Kotal Vikas Yojana
- 21.** The Union Government on June, 2015 decided to increase the number of work days under Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) from 100 days to days in drought affected areas of the country. [SBI PO 2015]
 (a) 110 (b) 125
 (c) 150 (d) 200
 (e) 225
- 22.** The Government has renamed NREGA scheme and the name associated with the scheme is that of
 (a) Rajeev Gandhi
 (b) Indira Gandhi
 (c) Mahatma Gandhi
 (d) Jawaharlal Nehru
 (e) Nirmala Sitharaman
- 23.** Among the following who are eligible to benefit from MGNREGA?
 (a) Adult members of only SC and ST households
 (b) Adult members of only BPL households
 (c) Adult members of households of all backward communities only
 (d) Adult members of rural households
 (e) All of the above
- 24.** Which among the following scheme does not belong to welfare for the farmers?
 (a) Kisan Credit Card Scheme
 (b) SHG Bank Linkage Programme
 (c) National Agricultural Insurance Scheme
 (d) MGNREGA
 (e) None of the above
- 25.** Which ministry launched Ayushman Sahakar Scheme?
 (a) Union Home Ministry
 (b) Ministry of Agriculture and Farmers Welfare
 (c) Finance Ministry
 (d) Ministry of Housing and Urban Affairs
 (e) All of the above

- 26.** The major aim of Pradhan Mantri Matsya Sampada Yojana is
 (a) Enhancing fish production by an additional 70 lakh tonne till 2024-25
 (b) Increasing fisheries export earning to ₹1,00,000 crore
 (c) Doubling of incomes of fishermen
 (d) All of the above
 (e) None of the above
- 27.** What is meaning of K in KUSUM?
 (a) Kisan (b) Krishi
 (c) Knowledge (d) Kaveri
 (e) Kaushal
- 28.** The main aim of Kusum Scheme launched in 2019 is promote
 (a) Solar farming (b) Skill
 (c) Subsidiary (d) Credit card
 (e) Micro-enterprises
- 29.** In Pradhan Mantri Kisan Samman Nidhi, ₹ 6000 will be paid to each eligible farmer in how many installments? [IBPS Clerk 2019]
 (a) 2 (b) 1
 (c) 6 (d) 4
 (e) None of these
- 30.** Pradhan Mantri Fasal Bima Yojana replaced the existing two insurance schemes
 (a) NAIS and JAY
 (b) AMRUT and JAY
 (c) NAIS and Modified NAIS
 (d) PMMVY and PMAY
 (e) None of the above
- 31.** Atmanirbhar Bharat Rozgar Yojana is to be operational for the period
 (a) 2021-2022 (b) 2021-2023
 (c) 2020-2023 (d) 2021-2024
 (e) 2020-2025
- 32.** Make in India scheme was launched in
 (a) 2014 (b) 2015
 (c) 2016 (d) 2017
 (e) 2018
- 33.** The Credit Guarantee Fund Scheme for micro and small enterprises has been launched in
 (a) 1991 (b) 2000
 (c) 2005 (d) 2010
 (e) 2018
- 34.** Which one of the following schemes provides complete paperless and cashless service?
 (a) Atmanirbhar Bharat Abhiyan
 (b) AMRUT Schemes
 (c) JNNURM Schemes
 (d) Ayushman CAPF Schemes
 (e) None of the above
- 35.** AB-NHPM will subsume the ongoing centrally sponsored scheme
 (a) RSBY (b) SCHIS
 (c) APY (d) Both (a) and (b)
 (e) All of these
- 36.** Which of the following statements is correct regarding Ayushman Bharat?
 (a) Ayushman Bharat is National Health Protection Mission and aim to setup wellness centres
 (b) It will cover over 10 crore poor families
 (c) It provides coverage upto 5 lakh per family
 (d) All of the above
 (e) None of the above
- 37.** PMVVY was launched in 2017 and it is
 (a) Pension Scheme
 (b) Old age Scheme
 (c) Agriculture Scheme
 (d) Employment Scheme
 (e) Health Scheme
- 38.** Pradhan Mantri Vaya Vandana Yojana (PMVVY) Scheme is managed by the
 (a) SBI (b) RBI
 (c) SEBI (d) IRDAI
 (e) LIC
- 39.** has been restructured and renamed as Pradhan Mantri Awas Yojana.
 (a) IAY (b) RAY
 (c) JAY (d) MGAY
 (e) None of these
- 40.** Pradhan Mantri Awas Yojana (PMAY) aims to provide housing for all by
 (a) 2021 (b) 2022 (c) 2024 (d) 2020
 (e) 2023
- 41.** How many rural houses will cover under Housing for All by 2022? [SBI PO 2016]
 (a) 1 crore (b) 2.5 crore
 (c) 2.9 crore (d) 3.8 crore
 (e) 3.9 crore

- 42.** Pradhan Mantri Awas Yojana is operationalised under which of the following ministry?
 (a) Ministry of Housing and Urban Affairs
 (b) Ministry of Rural Development
 (c) Ministry of Home Affairs
 (d) Both (a) and (b)
 (e) All of the above
- 43.** Pradhan Mantri Matru Vandana Yojana was introduced in
 (a) 2015 (b) 2016 (c) 2017 (d) 2018
 (e) 2019
- 44.** Which scheme is related to LPG gas connection?
 (a) Ujjawala Scheme (b) Ujala Scheme
 (c) Ujjwala Scheme (d) All of these
 (e) None of these
- 45.** Which of the following states has bagged the top position under the Pradhan Mantri Surakshit Matritav Abhiyaan (PMSMA)?
 [IBPS PO 2018]
 (a) Andhra Pradesh (b) Madhya Pradesh
 (c) Uttar Pradesh (d) Himachal Pradesh
 (e) Arunachal Pradesh
- 46.** Direct Benefit Transfer of LPG is known as
 (a) Ujjawala Scheme (b) Ujala Scheme
 (c) Ujjwala Scheme (d) PAHAL Scheme
 (e) None of these
- 47.** Janani Suraksha Yojana launched in 2005, aims to bring down the
 (a) skill (b) unemployment
 (c) MMR (d) wage employment
 (e) poverty
- 48.** Which of the following schemes for pregnant women belonging to BPL families and SC, ST families?
 (a) JSY (b) MGNREGA
 (c) JNNURM (d) SHGs
 (e) AMRUT
- 49.** Consider the following schemes launched by the Union Government.
 1. Antyodaya Anna Yojana
 2. Beti Bachao, Beti Padhao Yojana
 3. Sukanya Samriddhi Yojana
 4. Jawahar Gram Samriddhi Yojana
 Which of them were announced in the year 2014-15 ?
 (a) 1 and 2 (b) 1, 2 and 3
 (c) 2 and 3 (d) 3 and 4
 (e) All of these
- 50.** Five star village scheme was launched by
 (a) Department of Rural Development
 (b) Department of Economic Affairs
 (c) Department of Farmers Welfare
 (d) Department of Posts
 (e) None of the above

Answers

1. (a)	2. (a)	3. (e)	4. (e)	5. (a)	6. (a)	7. (b)	8. (d)	9. (e)	10. (d)
11. (c)	12. (a)	13. (a)	14. (d)	15. (e)	16. (d)	17. (a)	18. (a)	19. (b)	20. (c)
21. (c)	22. (c)	23. (d)	24. (d)	25. (b)	26. (d)	27. (a)	28. (a)	29. (e)	30. (a)
31. (c)	32. (a)	33. (b)	34. (d)	35. (d)	36. (d)	37. (b)	38. (e)	39. (a)	40. (b)
41. (c)	42. (d)	43. (c)	44. (c)	45. (d)	46. (d)	47. (c)	48. (a)	49. (c)	50. (d)

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PRACTICE SET 1

FOR BANKING AWARENESS

- 1.** How many digits/characters are there in Indian Financial System Code (IFSC)?
(1) 8 (2) 9
(3) 11 (4) 13
(5) 14
- 2.** are terminals that allow authorised users, typically by using a card, to access a range of services such as cash withdrawals, balance inquiries, transfers of funds and/or acceptance of deposits.
(1) e-Money (2) ATM
(3) MDR (4) CDM
(5) ANBC
- 3.** Under Pradhan Mantri Suraksha Bima Yojana (PMSBY), a renewable one-year accidental death cum disability cover of ₹ 2 lakh is offered to all subscribing bank account holders in the age group of
(1) 18 to 70 years (2) 18 to 60 years
(3) 15 to 60 years (4) 15 to 70 years
(5) 18 to 40 years
- 4.** After how many years of operation does a Small Finance Bank gets the status of Scheduled Bank?
(1) 5 years
(2) 10 years
(3) 8 years
(4) Immediately upon commencement of operations
(5) None of the above
- 5.** Payments Bank can apply for conversion to Small Finance Bank after how many years of operation?
(1) 3 years (2) 10 years
(3) 5 years (4) 1 year
(5) 10 years
- 6.** Which of the following terms means the sharing and leveraging of customer-permissioned data by banks with third party developers and firms to build applications and services?
(1) Systematic Banking (2) Open Banking
(3) Para Banking (4) Exclusive Banking
(5) Narrow Banking
- 7.** Which of the following does not forms a part of Foreign Exchange Reserves of RBI?
(1) Foreign Currency Assets
(2) Special Drawing Rights
(3) Reserve Tranche Position
(4) Silver
(5) Only (1) and (2)
- 8.** The directions issued by the Reserve Bank of India on Digital Payment Security Controls shall not be applicable on which of the following entities?
(1) Scheduled Commercial Banks
(2) Payments Bank
(3) Credit card issuing NBFCs
(4) Regional Rural Banks
(5) Private Banks
- 9.** An unsecured money market instrument issued in the form of a promissory note is known as
(1) Treasury Bills
(2) Certificates of Deposits
(3) Commercial Paper
(4) Repurchase Agreements
(5) White paper
- 10.** Shanti Lal Jain has been appointed as the MD and CEO of which bank?
(1) Indian Bank (2) UCO Bank
(3) ICICI Bank (4) Canara Bank
(5) Union Bank of India

11. Name the bank in UAE with which NPCI International Payments Ltd (NIPL) has tied up to launch the UPI facility in UAE?
 (1) Dubai Islamic Bank (2) Union National Bank
 (3) Mashreq Bank (4) Emirates NBD
 (5) UAE Bank
12. Neo Collections is a DIY Digital Repayment platform launched by
 (1) Yes Bank (2) HDFC Bank
 (3) UCO Bank (4) Kotak Mahindra Bank
 (5) Union Bank of India
13. Which platform has been launched by the RBI to strengthen compliance by entities that are supervised by the RBI?
 (1) LENS (2) PRISM
 (3) BRIDGE (4) MIRROR
 (5) INDIARBI
14. Currently, how many banks figures in the Domestic Systemically Important Banks (D-SIBs) list of the RBI?
 (1) 7 (2) 5 (3) 3 (4) 4
 (5) 12
15. Which organisation will be responsible to manage the Ubharte Sitaare Fund (USF)?
 (1) EXIM and SBI (2) SIDBI and NABARD
 (3) SEBI and SBI (4) SIDBI and EXIM
 (5) SBI and SIDBI
16. The RBI Core Banking Solution system is known by which name?
 (1) e-Lakshmi (2) e-Kuber
 (3) e-Dhan (4) e-Maal
 (5) e-CBS
17. Which of the following is the term used for storehouses where banknotes and rupee coins are stocked on behalf of the Reserve Bank for distribution to bank branches?
 (1) currency depot (2) coin depot
 (3) currency bank (4) currency chest
 (5) branches depot chest
18. Which of the following denominations of bank note is currently not being issued by the RBI?
 (1) ₹ 2 (2) ₹ 5
 (3) ₹ 10 (4) ₹ 20
 (5) Both (1) and (2)
19. The limits on cash withdrawal at ATMs and for purchase of goods and services are decided by
 (1) RBI (2) NPCI
 (3) Ministry of Finance (4) SIDBI
 (5) card issuer
20. The rate at which the RBI is ready to buy or rediscount bills of exchange or other commercial papers is known as
 (1) Repo Rate (2) MSF
 (3) Reverse Repo Rate (4) Bank Rate
 (5) None of these
21. For which of the following bank type it is not mandatory to exchange mutilated and defective banknotes?
 (1) Public Sector Bank
 (2) Private Sector Bank
 (3) Regional Rural Bank
 (4) Small Finance Bank
 (5) (1), (2) and (3) only
22. Who has been appointed as the CEO of NPCI Bharat BillPay Ltd. (NBBL)?
 (1) Amitha Sehgal
 (2) Biswamohan Mahapatra
 (3) Dilip Asbe
 (4) Noopur Chaturvedi
 (5) None of the above
23. is an independent banking industry watchdog that protects consumers of banking services in India.
 (1) FIMMDA (2) BCSBI
 (3) SIDBI (4) FBIL
 (5) SEBI
24. In which year was the Real Time Gross Settlement (RTGS) system introduced by the RBI?
 (1) 2002 (2) 2004
 (3) 2008 (4) 2006
 (5) 2011
25. Which of the following technology aims to reduce the scope of cheque fraud and cheque processing time?
 (1) NEFT (2) RTGS
 (3) NPCI (4) CTS
 (5) UPI

- 26.** Which of the following entity is owned by central banks and aims to foster international monetary and financial cooperation and also serves as a bank for central banks?
 (1) World Bank (2) BIS
 (3) IMF (4) NDB
 (5) IFIB
- 27.** How many digits are there in the Goods and Services Tax Identification Number (GSTIN)?
 (1) 8 (2) 11 (3) 12 (4) 15
 (5) 22
- 28.** The RBI has identified how many categories under Priority Sector Lending?
 (1) 4 (2) 6 (3) 9 (4) 12
 (5) 15
- 29.** Reserves which can act as a liquidity buffer for commercial banks during crisis time, are
 (1) CAR (2) CRR
 (3) CAR and CRR (4) CRR and SLR
 (5) SLR
- 30.** In a 'BSBDA-Small Account', balance at any point of time does not exceed
 (1) ₹ 10000 (2) ₹ 25000
 (3) ₹ 50000 (4) ₹ 100000
 (5) ₹ 200000
- 31.** Expand the term ALM as used in Banking/ Finance sector.
 (1) Asset Liability Management
 (2) Asset Liability Maturity
 (3) Asset Liability Mismatch
 (4) Asset Liability Manpower
 (5) Asset Liability Maintenance
- 32.** A company that carries on the business of a financial institution as its principal business is known as
 (1) Bank (2) AIFI (3) NBFC (4) Regulator
 (5) None of these
- 33.** The non traditional banking activities like mutual funds business, insurance business, merchant banking activities are known as?
 (1) Shadow banking activities
 (2) Para banking activities
 (3) Factoring
 (4) Regulator banking
 (5) Secure banking activities
- 34.** At present which entity is the umbrella organisation for retail payment in India?
 (1) RBI (2) SBI
 (3) NPCI (4) RuPay
 (5) Visa
- 35.** Which entity has the powers to impose monetary penalty in respect of certain contraventions as well as compound certain contraventions in case of payments system in India?
 (1) NPCI
 (2) RBI
 (3) Ministry of Finance
 (4) NPCI and RBI
 (5) SIDBI and NPCI
- 36.** What was the highest denomination note ever printed by the RBI?
 (1) ₹ 20000 (2) ₹ 2000
 (3) ₹ 5000 (4) ₹ 10000
 (5) ₹ 50000
- 37.** What is the limit on the amount of cash that can be withdrawn under the Cash Withdrawal Facility at Point of Sale (PoS) Terminals at Tier I cities?
 (1) ₹ 1000 per day (2) ₹ 1500 per day
 (3) ₹ 2000 per day (4) ₹ 2500 per day
 (5) ₹ 5000 per day
- 38.** The person to whose account payment is directed to be made in a payment order is known as
 (1) Sender (2) Beneficiary
 (3) Executor (4) Originator
 (5) None of these
- 39.** What do you understand by the term 'Mortgage'?
 (1) Sale of moveable security in the event of default by the borrower
 (2) Registration of charge with the Registrar of Companies
 (3) Making the security of immovable property available as a cover for a home loan by the borrower
 (4) Registration of charge with the Regional Transport Authority
 (5) Returning of the security to borrower by the bank on receipt of full payment

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- 40.** Which of the following is a measure taken by the RBI to control inflation in our country?
- (1) Increase in CRR
 - (2) Increase in SLR
 - (3) Contraction of supply of currency
 - (4) Raising of Repo/ Reserve Repo Rate
 - (5) Decrease in SLR
- 41.** Which of the following is/are the function(s) of an Exchange Bank?
- (1) Remitting money from one country to another country
 - (2) Discounting of foreign bills
 - (3) Buying and selling gold and silver
 - (4) Both (2) and (3)
 - (5) All of the above
- 42.** In which type of FDI, a parent company starts a new venture in a foreign country by constructing new operational facilities from the ground up?
- (1) Greenfield Investment
 - (2) Brownfield Investment
 - (3) Foreign Institutional Investment(FII)
 - (4) All of the above
 - (5) None of the Above
- 43.** Which Bank has launched the ATM facility onboard premier warship INS Vikramaditya?
- (1) SBI (2) UBI (3) ICICI (4) HDFC
 - (5) Bank of Baroda
- 44.** Bank branches has which can undertake foreign exchange business directly are known as in foreign exchange.
- (1) Authorised dealers (2) Foreign dealers
 - (3) Overseas branches (4) Approved dealers
 - (5) Exchange branches
- 45.** Loans of very small amounts given to low income groups is called
- (1) Cash credit (2) Micro credit
 - (3) Simple overdraft (4) No frills loans
 - (5) Rural credit
- 46.** The Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR) are terms most closely related to which of the following industries/ markets?
- (1) Capital market
 - (2) Banking industry
 - (3) Commodities market
 - (4) Groceries market
 - (5) Mutual fund industry
- 47.** The Banking Ombudsman
- (1) is in charge of bank loans for buses
 - (2) fixes the rate of interest for loans
 - (3) resolves complaints of customers
 - (4) issues licences for new bank branches
 - (5) is the head of all nationalised banks
- 48.** Which of the following is not classified as a Commercial Bank?
- (1) Public sector bank
 - (2) Foreign bank
 - (3) Private sector bank
 - (4) Regional rural bank
 - (5) Urban cooperative bank
- 49.** Monetary policy as an arm of the economic policy is administered by
- (1) Government of India
 - (2) Reserve Bank of India
 - (3) State Bank of India
 - (4) Governments of the respective states
 - (5) None of the above
- 50.** Which of the following is not a primary function of a Bank?
- (1) Granting loans
 - (2) Collecting cheques / Drafts of customers
 - (3) Facilitating import of goods
 - (4) Issuing Bank Drafts
 - (5) Selling Gold / Silver coins

ANSWERS

1.	(3)	2.	(2)	3.	(1)	4.	(4)	5.	(3)	6.	(2)	7.	(4)	8.	(4)	9.	(3)	10.	(1)
11.	(3)	12.	(4)	13.	(2)	14.	(3)	15.	(4)	16.	(2)	17.	(4)	18.	(5)	19.	(5)	20.	(4)
21.	(4)	22.	(4)	23.	(4)	24.	(2)	25.	(4)	26.	(2)	27.	(4)	28.	(3)	29.	(4)	30.	(3)
31.	(1)	32.	(3)	33.	(2)	34.	(3)	35.	(2)	36.	(4)	37.	(1)	38.	(2)	39.	(3)	40.	(4)
41.	(4)	42.	(3)	43.	(1)	44.	(1)	45.	(2)	46.	(2)	47.	(3)	48.	(5)	49.	(2)	50.	(3)

PRACTICE SET 2

FOR BANKING AWARENESS

- 1.** What is the full form of NDTL, the term we see very frequently in newspapers?
 - (1) Net Demand and Term Liability
 - (2) Net Demand and Time Liability
 - (3) New Demand and Term Liability
 - (4) Net Demand and Term Liquidity
 - (5) None of the above
- 2.** Treasury bills or T-bills, which are money market instruments, are short term debt instruments issued by
 - (1) Reserve Bank of India
 - (2) Individual Banks
 - (3) Government of India
 - (4) IRDAI
 - (5) Corporate & Financial Institutions
- 3.** What is the correct expansion of the term MUDRA ?
 - (1) Micro Undertakings Development and Refinance Authority
 - (2) Micro Units Development and Refinance Agency
 - (3) Micro Undertakings Development and Restructuring Agency
 - (4) Mini Units Development and Restructuring Authority
 - (5) None of the above
- 4.** With reference to the insurance and banking sector, which of the following is the most appropriate explanation of 'PIN'?
 - (1) Postal Index Number
 - (2) Personal Index Number
 - (3) Personal Identification Number
 - (4) Personal Information Number
 - (5) Permanent Identification Number
- 5.** What is the term of the rate at which banks borrow banks funds from the RBI to meet the gap between the demands they are facing for money (loans) and how much they have on hand to lend?
 - (1) Call Rate
 - (2) CRR
 - (3) Bank Rate
 - (4) Repo Rate
 - (5) SLR
- 6.** An asset, including a leased asset , becomes non-performing when
 - (1) it ceases to generate income for the bank
 - (2) a performance Guarantee issued by the bank on behalf of the borrower is invoked
 - (3) it is rendered useless due to wear and tear or its becoming obsolete
 - (4) the borrower dies
 - (5) None of the above
- 7.** Many times we read a term CBS used in banking operation.What is the full form of the letter 'C' in the term 'CBS'?
 - (1) Core
 - (2) Credit
 - (3) Continuous
 - (4) Complete
 - (5) Connected
- 8.** In order to attract more foreign exchange the government of India decided to allow foreign investment in LLP firms. Here LLP stands for
 - (1) Labour Law Promotion
 - (2) Low Labour Partnership
 - (3) Limited Loan Partnership
 - (4) Limited Liability Partnership
 - (5) Long-term Liability Partnership
- 9.** Financial inclusion or inclusive financing means the provision of
 - (1) the delivery of financial services at affordable costs to sections of disadvantaged and low- income segments of society
 - (2) ration at affordable cost to persons not yet given the same
 - (3) house at affordable cost to persons not yet given the same
 - (4) food at affordable cost to persons not yet given the same
 - (5) education at affordable cost to persons not yet given the same

- 10.** The validity of Stale Cheque is for..... months. If cheque is not presented within the months, it got expired and becomes the Stale Cheque.
 (1) 3.5 months (2) 3 months
 (3) 4 months (4) 6 months
 (5) None of these
- 11.** are debt instruments which allow the companies or government to raise funds only by incurring debt and lender is guaranteed of a fixed repayment (Principle and Interest).
 (1) Bonds (2) Debentures
 (3) Shares (4) All of these
 (5) None of these
- 12.** ATMs are owned and maintained by service provider whereas bank whose brand is used on ATM takes care of cash management and network connectivity.
 (1) White Label (2) Brown Label
 (3) Online ATM (4) Stand Alone ATM
 (5) None of these
- 13.** is a rate at which RBI lends money to commercial banks without any security. It is used for Long Term Borrowing and this rate is not the main tool to control money supply.
 (1) Bank Rate (2) CRR
 (3) Repo Rate (4) Reverse Repo Rate
 (5) None of these
- 14.** Loan taken by the person, not telling the purpose of taking loan is called
 (1) Non-Personal Loan (2) Hidden Loan
 (3) Concealed Loan (4) Personal Loan
 (5) None of these
- 15.** Which of the following will set up core banking infrastructure for rural banks?
 (1) NABARD (2) RBI
 (3) SIDBI (4) SBI
 (5) None of these
- 16.** In which year was the Imperial Bank of India amalgamated with other banks to form State Bank of India?
 (1) 1947 (2) 1949
 (3) 1955 (4) 1934
 (5) 1950
- 17.** Which of the following is the world's first fully interoperable QR code payment system?
 (1) PayTm QR (2) Bharat QR
 (3) PhonePay QR (4) GPay QR
 (5) MiPay QR
- 18.** In which year was the National Electronic Funds Transfer System (NEFT) introduced?
 (1) 2004 (2) 2005 (3) 2006 (4) 2007
 (5) 2011
- 19.** Which of the following is/are example (s) of financial assets?
 (1) National Savings Patra
 (2) Krishi Vikas Patra
 (3) Indira Vikas Patra
 (4) Infrastructure Bonds
 (5) All of the above
- 20.** The Insurance Regulatory and Development Authority of India (IRDAI) with its headquarters at is the regulatory authority for all insurance companies in India including the Life Insurance Corporation of India.
 (1) Hyderabad (2) Bengaluru
 (3) Mumbai (4) Delhi
 (5) Lucknow
- 21.** How many commercial banks were nationalised on July 19, 1969?
 (1) 13 (2) 14 (3) 15 (4) 18
 (5) 22
- 22.** Name of the first bank to receive approval for getting full bank licence in Singapore.
 (1) Punjab National Bank
 (2) Syndicate Bank
 (3) State Bank of India
 (4) Axis Bank
 (5) None of the above
- 23.** The securitisation and Reconstruction of Financial Assets and Enforcement of Securities Interest Act (SARFAESI) meant recovery of loans which have become NPA is not applicable to
 (1) Financial Institutes of Government
 (2) Non - Banking Financial Companies
 (3) Small & Cooperative Banks
 (4) All of the above
 (5) None of the above

- 24.** Where is the headquarters of Institute for Development and Research in Banking Technology (IDBRT) located?
 (1) Mumbai (2) Chennai
 (3) Hyderabad (4) Delhi
 (5) Patna
- 25.** Which of the following is India's first Information Utility (IU) that registered with the Insolvency and Bankruptcy Board of India (IBBI)?
 (1) NSE (2) NeSL (3) NADL (4) LIC
 (5) BSE
- 26.** The is the apex body responsible for the development of the MSME sector.
 (1) SEBI (2) RBI
 (3) SBI (4) SIDBI
 (5) NABARD
- 27.** The provide support for pre-approved mandates for bill payments, and standing instructions in India.
 (1) MMID (2) NACH
 (3) VPA (4) SWIFT
- 28.** The Aadhaar Payment Bridge System (APBS) is a part of
 (1) ECS (2) IMPS
 (3) RTGS (4) NACH
 (5) SBI
- 29.** City Code, Bank Code and Branch Code forms a part of which of the following codes of the banking industry?
 (1) IFS Code (2) MICR Code
 (3) BSR Code (4) MMID
 (5) PIN Code
- 30.** The IFSC is an eleven-digit alpha-numeric code based on the pattern followed by
 (1) World Bank (2) SWIFT
 (3) IMF (4) NEFT
 (5) IFS
- 31.** In which year was Export-Import Bank of India (EXIM) Bank established?
 (1) 1980 (2) 1982
 (3) 1984 (4) 1987
 (5) 1989
- 32.** "ING Vysya Bank" was merged with which bank in 2014?
 (1) ICICI Bank
 (2) HDFC Bank
 (3) Indian Overseas Bank
 (4) Kotak Mahindra Bank
 (5) Corporation Bank
- 33.** How many digits are there in Mobile Money Identifier (MMID)?
 (1) 7 (2) 8 (3) 9 (4) 11
 (5) 15
- 34.** The World Bank Group comprises of how many Institutions?
 (1) 3 (2) 5 (3) 9 (4) 12
 (5) 15
- 35.** The type of account in which depositors are required to deposit certain sum of money at regular period of time is called
 (1) Current Account
 (2) Savings Account
 (3) Recurring Deposit Account
 (4) Zero Balance Account
 (5) None of the above
- 36.** Which of the following account is used for storing Stocks/Shares?
 (1) Trading Account (2) DEMAT Account
 (3) MAT Account (4) RD Account
 (5) Saving Account
- 37.** Basel III guidelines were released in which year?
 (1) 2005 (2) 2006 (3) 2010 (4) 2014
 (5) 2015
- 38.** The Special Drawing Rights (SDR) has been created by
 (1) World Bank (2) IMF
 (3) ADB (4) BRICS Bank
 (5) SBI
- 39.** How much amount of monetary penalty will be levied by RBI on ATMs/WLAs in case they remain cash-out for more than 10 hours in a month?
 (1) ₹ 7000 (2) ₹ 5000 (3) ₹ 10000 (4) ₹ 12000
 (5) ₹ 14000

40. The government has extended the superannuation age of LIC Chairman. What is the revised age for the same?

- (1) 65 years (2) 70 years
(3) 62 years (4) 60 years
(5) 64 years

41. The RBI has increased the limit for collateral free loans to Self-Help Groups (SHG) under the DAY-NRLM. What is the new limit?

- (1) ₹ 10 lakh (2) ₹ 50 lakh
(3) ₹ 20 lakh (4) ₹ 30 lakh
(5) ₹ 50 lakh

42. Which bank has launched 'Dukandar Overdraft Scheme', for small retailers to ease their cash crunch?

- (1) HDFC Bank (2) ICICI Bank
(3) Axis Bank (4) Yes Bank
(5) SBI Bank

43. The NPCI has launched a UPI-based new digital payment solution that will work using voucher for a specific purpose or activity via SMS or QR code. The name of this new solution is

- (1) e-DHAN (2) e-KUBER
(3) e-RUPI (4) e-PAISA
(5) e-Solution

44. 'SIM Binding' is a new feature to protect customers from various digital frauds, launched by which bank for its mobile banking customers?

- (1) ICICI Bank (2) Axis Bank
(3) State Bank of India (4) Punjab National Bank
(5) Corporation Bank

45. Max Bupa Health Insurance has rebranded itself. What is the new name of the company?

- (1) Pahal Bupa (2) True Bupa
(3) Niva Bupa (4) Satin Bupa
(5) New Bupa

46. The 'Stand Up India Scheme' is a loan scheme to encourage entrepreneurship among Scheduled Caste, Scheduled Tribe and women borrowers. The government has extended the scheme up to which year?

- (1) 2028 (2) 2025 (3) 2022 (4) 2030
(5) 2035

47. The RBI Retail Direct scheme has been launched by the central bank for investment in which debt instruments?

- (1) Commercial Papers
(2) Certificate of Deposit
(3) Government Securities (G-Secs)
(4) All of the above
(5) None of the above

48. Which of the following announced to discontinue its 'Doing Business Report'?

- (1) IMF (2) World Bank (3) WEF
(4) ADB (5) RBI

49. Which bank has launched the 'Pay Your Contact' payment feature to enable its customers send money using beneficiary's mobile number?

- (1) Axis Bank (2) Kotak Mahindra Bank
(3) ICICI Bank (4) HDFC Bank
(5) SBI

50. As per the new notification of the Finance Ministry, the housing finance companies (HFCs) with asset size of over will now be able to recover the dues using SARFAESI law.

- (1) ₹ 300 crore (2) ₹ 500 crore
(3) ₹ 100 crore (4) ₹ 200 crore
(5) ₹ 1000 crore

ANSWERS

1.	(2)	2.	(3)	3.	(2)	4.	(3)	5.	(4)	6.	(1)	7.	(1)	8.	(4)	9.	(1)	10.	(2)
11.	(1)	12.	(2)	13.	(1)	14.	(4)	15.	(1)	16.	(3)	17.	(2)	18.	(2)	19.	(5)	20.	(1)
21.	(2)	22.	(3)	23.	(2)	24.	(3)	25.	(2)	26.	(4)	27.	(2)	28.	(4)	29.	(2)	30.	(2)
31.	(2)	32.	(4)	33.	(1)	34.	(2)	35.	(3)	36.	(2)	37.	(3)	38.	(2)	39.	(3)	40.	(3)
41.	(3)	42.	(1)	43.	(3)	44.	(3)	45.	(3)	46.	(2)	47.	(3)	48.	(2)	49.	(2)	50.	(3)

PRACTICE SET 3

FOR BANKING AWARENESS

- 1.** Which was the first bank to set up talking ATM in India?
(1) Union Bank of India (2) Dena Bank
(3) ICICI Bank (4) City Bank
(5) None of these
- 2.** Initially, there were how many associate banks of State Bank of India in 1959?
(1) Seven (2) Five
(3) Two (4) Three
(5) Six
- 3.** Which NBFC has received approval from RBI to take over PMC Bank and re-launch it as a Small Finance Bank?
(1) Credila Financial Services Private Limited
(2) Satin Creditcare Network Limited
(3) HDB Financial Services Limited
(4) Centrum Financial Services Limited
(5) Indian Financial Services Limited
- 4.** The is the amount of funds that a bank keeps with the Reserve Bank of India.
(1) Cash Reserve Ratio (2) Repo Rate
(3) Reverse Repo Rate (4) Base Rate
(5) SLR
- 5.** Which bank has launched a new loan product named 'Kavach Personal Loan', to provide financial assistance to customers facing economic crises due to covid related treatment costs?
(1) HDFC Bank (2) ICICI Bank
(3) State Bank of India (4) Canara Bank
(5) UBI
- 6.** What is the maximum amount that banks can charge from customers (per transaction) w.e.f 1st January, 2022, after free ATM transaction are over?
(1) ₹ 21 (2) ₹ 19
(3) ₹ 27 (4) ₹ 14
(5) ₹ 25
- 7.** Which Indian bank has joined hands with NPCI to link its digital wallet Pockets with UPI ID?
(1) Canara Bank (2) SBI
(3) HDFC Bank (4) ICICI Bank
(5) SBI Bank
- 8.** What is the maximum amount outstanding in respect of full-KYC PPIs (KYC-compliant PPIs) as set by RBI?
(1) ₹ 1 lakh (2) ₹ 2 lakh
(3) ₹ 3 lakh (4) ₹ 5 lakh
(5) ₹ 10 lakh
- 9.** The RBI has changed its accounting year effective from FY22. What is the new accounting year of RBI?
(1) July-June (2) June-May
(3) April-March (4) August-July
(5) June- July
- 10.** The Institute for Development and Research in Banking Technology (IDRBT) is managed by which organisation?
(1) RBI (2) SBI (3) SEBI (4) NPCI
(5) IRDAI
- 11.** The is a loan that is made for a very short period of a few days only with a low rate of interest.
(1) Commodity Money (2) Plastic Money
(3) Notice Money (4) Call Money
(5) PayTm Money
- 12.** The DigiGold is a digital platform to enable investments in gold, through digital mode. The platform has been launched by which bank?
(1) State Bank of India
(2) Airtel Payments Bank
(3) ICICI Bank
(4) Kotak Mahindra Bank
(5) Corporation Bank

- 13.** When was Commercial Paper (CP) introduced in India for the first time?
 (1) 2005 (2) 1995 (3) 2000 (4) 2011
 (5) 1990
- 14.** The RBI has excluded Lakshmi Vilas Bank from the Second Schedule of the Reserve Bank of India Act, 1934, following the merger of the Lakshmi Vilas Bank with
 (1) DBS Bank India Ltd
 (2) HSBC Bank
 (3) United Overseas Bank
 (4) Citi Bank
 (5) RBL Bank
- 15.** What is 'T' stand for in the MTSS which is a term often seen in the banking sector news?
 (1) Time (2) Transaction
 (3) Tag (4) Total
 (5) Transfer
- 16.** The RBI has constituted an advisory group to assist the Regulatory Review Authority (RRA 2.0). Who is the head of this advisory group?
 (1) T T Sri Nivasaraghavan
 (2) Gautam Thakur (3) Ravi Duvvuru
 (4) S. Janakiraman (5) M K Tamilarasu
- 17.** As per the latest instruction issued by RBI, what is the cap imposed on the tenure that an incumbent MD/CEO or Whole-time Director of a private sector bank can have?
 (1) 5 years (2) 12 years
 (3) 15 years (4) 17 years
 (5) 20 years
- 18.** The CRAR is the ratio of a bank's capital to its risk. What does it stands for?
 (1) Capital to Risk Another Ratio
 (2) Capital to Risk Adequacy Ratio
 (3) Capital to Risk Amount Ratio
 (4) Capital to Risk Analysis Ratio
 (5) Capital to Risk Assets Ratio
- 19.** Name the former Governor of RBI considered as the "Father of banking reforms in India".
 (1) C. Rangarajan (2) M. Narasimham
 (3) S. Venkitaramanan (4) Y V Reddy
 (5) None of these
- 20.** The data regarding the India's International Investment Position (IIP) is released by the
 (1) Ministry of Finance
 (2) RBI
 (3) Indian Banks' Association (IBA)
 (4) National Payments Corporation of India
 (5) CSO
- 21.** As per the RBI's recent "Guidelines for 'on tap' Licensing of Small Finance Banks in the Private Sector", what should be the minimum net worth requirement of the entity?
 (1) ₹ 100 crore (2) ₹ 500 crore
 (3) ₹ 250 crore (4) ₹ 400 crore
 (5) ₹ 200 crore
- 22.** Who has been appointed as the new Chairman and Managing Director of SIDBI?
 (1) S. Ramann
 (2) Devendra Kumar Singh
 (3) V. Satya Venkata Rao
 (4) Pankaj Jain
 (5) Y V Reddy
- 23.** Where is the headquarters of Bank of Baroda?
 (1) Bangalore (2) New Delhi
 (3) Mumbai (4) Kolkata
 (5) Vadodara
- 24.** The limit of maximum balance that can be maintained in the Payments Bank at end of the day per customer has been increased by the RBI. What is the new limit?
 (1) ₹ 3 lakh (2) ₹ 2 lakh
 (3) ₹ 1 lakh (4) ₹ 5 lakh
 (5) ₹ 3.5 lakh
- 25.** Kisan Credit Card (KCC) was prepared by NABARD on the recommendations of which committee?
 (1) R V Gupta Committee
 (2) Malcom Committee
 (3) Nachet More Committee
 (4) Narasimman Committee
 (5) None of the above
- 26.** The Financial Inclusion Index (FI Index) will be published by RBI annually to measure the extent of financial inclusion in the country. The index will be published in which month?

- (1) July
- (2) March
- (3) April
- (4) June
- (5) January

27. The NBBL is a newly set up entity formed on 1st April, 2021 to run the Bharat Bill Payment System (BBPS) business. The NBBL is a wholly owned subsidiary of

- (1) State Bank of India
- (2) RBI
- (3) NPCI
- (4) IDRBT
- (5) SIDBI

28. Name the new wholly owned subsidiary setup by Punjab National Bank to manage its credit card business.

- (1) PNB Cards Ltd
- (2) PNB Card Elite
- (3) PNB Credit Cards Freedom Ltd
- (4) PNB Cards & Services Ltd
- (5) PN Card Service Ltd.

29. Name the new grievance redressal feature launched by NPCI on BHIM UPI app for the users.

- (1) UPI-Help
- (2) UPI-Aid
- (3) UPI-Boost
- (4) UPI-Assist
- (5) UPI-end

30. IFS Code is 11 alpha numeric code. What is the fifth character?

- (1) An alphabet
- (2) Check digit
- (3) 0 (Zero)
- (4) 9 (Nine)
- (5) None of these

31. Which bank has launched the mobile app 'e-Kisaan Dhan' for farmers?

- (1) Axis Bank
- (2) State Bank of India
- (3) HDFC Bank
- (4) ICICI Bank
- (5) RBL Bank

32. Banking Ombudsman Scheme is applicable to the business of

- (1) All scheduled commercial banks excluding RRBs
- (2) All scheduled commercial banks including RRBs
- (3) Only Public Sector Banks
- (4) Only Private Sector Banks
- (5) Only Nationalised Bank

33. What is the tenure of the ₹ 50000 crore Special Liquidity Facility for Mutual Funds (SLFMF) launched by the RBI?

- (1) 1 year
- (2) 2 years
- (3) 180 days
- (4) 90 days
- (5) 45 days

34. What is the full form of ICICI Bank?

- (1) Industrial Credit and Investment Corporation of India
- (2) Investment Credit and Industrial Corporation of India
- (3) Industrial Corporation and Investment Credit of India
- (4) Investment Corporation and Industrial Credit of India
- (5) Indian Credit and Investment Corporation of Industry

35. The Rupay card launch has made Saudi Arabia the third nation in West Asia to initiate India's digital payment system. Which was the first foreign nation to launch the RuPay card?

- (1) Maldives
- (2) Bhutan
- (3) Pakistan
- (4) Sri Lanka
- (5) None of these

36. Which of the following payment technology company, has signed up the world badminton champion PV Sindhu as its brand ambassador for two years?

- (1) Master Card
- (2) Rupay Card
- (3) Visa Card
- (4) Maestro Card
- (5) None of the above

37. Which of the following activity does not come under Para Banking Services?

- (1) Insurance
- (2) Portfolio Management
- (3) Mutual Fund Business
- (4) Investment in Venture Capital
- (5) Giving credit

38. Who among the following has an option to open a Non-Resident Ordinary Rupee (NRO) account?

- (1) Non-Resident of India (NRI)
- (2) Person of Indian Origin (PIO)
- (3) Overseas Citizen of India (OCI)
- (4) All of the above
- (5) None of the above

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- 39.** What does 'N' stand for in the important banking abbreviation NDTL?
 (1) National (2) Net
 (3) Numeric (4) Nominal
 (5) Notional
- 40.** In Indian Economy, which of the following is also called Narrow Money?
 (1) M1 (2) M2 (3) M3 (4) M4
 (5) M0
- 41.** The CCI has approved the merger of the Indiabulls Housing Finance and Lakshmi Vilas Bank. What is the full form of CCI?
 (1) Competition Commission of International
 (2) Competition Commission of India
 (3) Competition Corporation of India
 (4) Central Commission of India
 (5) Central Corporation of India
- 42.** The NPCI aims to allow all Indian citizens to have unrestricted access to e-payment services. What is the acronym for C in NPCI?
 (1) Credit (2) Company
 (3) Cash (4) Corporation
 (5) Central
- 43.** The RBI is planning to introduce a dedicated IVR system to track the status of complaints. What is the full form of IVR?
 (1) International Voice Response
 (2) Interactive Vehicles Response
 (3) Interactive Voice Response
 (4) Indian Voice Response
 (5) Indian Volume Response
- 44.** A savings as well as current account should be treated as inactive if there are no transactions in the account for over a period of
 (1) 24 months (2) 30 months
 (3) 12 months (4) 6 months
 (5) 28 days
- 45.** CTS-2010 is related to which of the following banking instruments?
 (1) ATM (2) Debit Card
 (3) Credit card (4) Cheque
 (5) Pass Book
- 46.** Which of the following is the most important component of the liabilities of Commercial banks?
 (1) Time deposits (2) Demand deposits
 (3) Inter bank liabilities (4) Other borrowings
 (5) Recurring Deposits
- 47.** Which of the following is not the function of Reserve Bank of India (RBI)?
 (1) Issue of bank notes
 (2) Banker to Government
 (3) To open saving bank account for general public
 (4) Custodian of cash reserves of Commercial Banks
 (5) Only (1), (2) and (4)
- 48.** Which of the following rates is decided by the market conditions and not by RBI?
 (1) Bank rate (2) SLR
 (3) CRR (4) Inflation rate
 (5) None of these
- 49.** What is the minimum lock-in period for Medium Term Deposit in Gold Monetisation Scheme?
 (1) 2 years (2) 3 years
 (3) 4 years (4) 5 years
 (5) Not applicable
- 50.** is an indigenous bank aimed at catering banking needs of local, area specific requirement.
 (1) Local Area Bank (2) Industrial Bank
 (3) Small Finance Bank (4) Lead Bank
 (5) Payments Bank

ANSWERS

1.	(1)	2.	(1)	3.	(4)	4.	(1)	5.	(3)	6.	(1)	7.	(4)	8.	(2)	9.	(3)	10.	(1)
11.	(4)	12.	(2)	13.	(5)	14.	(1)	15.	(5)	16.	(4)	17.	(3)	18.	(5)	19.	(2)	20.	(2)
21.	(5)	22.	(1)	23.	(5)	24.	(2)	25.	(1)	26.	(1)	27.	(3)	28.	(4)	29.	(1)	30.	(3)
31.	(3)	32.	(2)	33.	(4)	34.	(1)	35.	(1)	36.	(3)	37.	(5)	38.	(4)	39.	(2)	40.	(1)
41.	(2)	42.	(4)	43.	(3)	44.	(1)	45.	(4)	46.	(1)	47.	(3)	48.	(4)	49.	(2)	50.	(1)

ABBREVIATION

A

AAV	Antyodaya Anna Yojna
ABC	Activity Based Costing
ABP	Automatic Bill Payments
ACH	Automatic Clearing House
AFS	Annual Financial Report
ACR	Actual Cost Report
ACRS	Accelerated Cost Recovery System
AIIB	Asian Infrastructure Investment Bank
ACWP	Actual Cost for Work Performed
ADB	Asian Development Bank
ADR	American Depository Receipt
ADWDR	Agriculture Debt Waiver and Debt Relief
AIBOA	All India Bank Officers Association
AIRCSC	All India Rural Credit Survey Committee
AITUC	All India Trade Union Congress
AMFI	Association of Mutual Fund of India
ANBC	Adjusted Net Bank Credit
APBS	Aadhar Payment Bridge System
APEC	Asia Pacific Economic Co-operation
ASBA	Application Supported by Blocked Amount
ASEAN	Association of South-East Asian Nation
ASSOCHAM	Associated Chambers of Commerce and Industry of India
ATM	Automated Teller Machine/Asynchronous Transfer Mode

B

BBB	Bank Board Bureau
BCBS	Bessel Committee on Banking Supervision
BEA	Bureau for Economic Analysis
BIFR	Board for Industrial Financial and Reconstruction
BIMSTEC	Bay of Bengal Initiative for Multi Sectoral Technical and Economic Co-operation
BER	Bank Exchange Rate
BIS	Bank of International Settlement / Bureau of Indian Standards
BOLT	Build Own Lease Transfer
BOP	Balance of Payment
BRS	Base Rate System
BSA	Bank Secrecy Act
BSE	Bombay Stock Exchange

C

CC	Cash Credit
CBS	Core Banking Solution
CD	Certificate of Deposit
CAA	Cost Accounting Authorisation
CAD	Capital Account Deficit
CASB	Cost Accounting Standards Board
CCEA	Cabinet Committee on Economic Affairs
CCFI	Cabinet Committee on Foreign Investment
CCIL	Clearing Corporation of India Limited
CEC	Center for Economic Catch up
CEM	Cost Estimating Method
CENVAT	Central Value Added Tax
CER	Cost Estimating Relationship
CFSA	Certified Financial Service Auditor
CLR	Cost Limit Review Board
CQCOMO	Constructive Cost Model
COLA	Cost of Living Adjustment
CPI-AL	Consumer Price Index for Agricultural Labour
CPI-IW	Consumer Price Index for Industrial Workers
CRAR	Capital to Risk Weighted Asset Ratio
CRISIL	Credit Rating Information Services of India Limited
CTS	Cheque Truncation System

D

DBS	Department of Banking Supervision
DD	Demand Draft
DICGC	Deposit Insurance and Credit Guarantee Corporation
DIPAM	Department of Investment and Public Management
DIR	Differential Interest Rate Scheme
DTAA	Double Taxation Avoidance Agreement
DTC	Direct Taxes Code
DIN	Document Identification Number
DGBA	Departments of Government and Bank Accounts RBI

E

ECS	Electronic Clearance Service
EBA	European Banking Authority
ECGC	Export Credit Guarantee Corporation of India Limited

ECB European Central Bank / External Commercial Borrowings

EBITDA Earning Before Interest, Taxes Depreciation and Amortisation

EFT Electronic Funds Transfer

EEFC Exchange Earners Foreign Currency

ETF Exchange Trade Fund

EMI Equated Monthly Installments

EWP Early Withdraw Penalty

F

FDI Foreign Direct Investment

FII Foreign Institutional Investment

FCRA Foreign Contribution Regulation Act

FCCB Foreign Currency Convertible Bonds

FERA Foreign Exchange Regulation Act

FICCI Federation of Indian Chambers of Commerce and Industry

FLCC Financial Literacy and Credit Counselling Centre

FIMMDA Fixed Income Money Market and Derivatives Association of India

FATF Financial Action Task Force

FCNA(B) Foreign Currency Non-residents Accounts (Banks)

FRBM Fiscal Responsibility and Budget Management

FSDC Financial Stability and Development Council

FSLRC Financial Sector Legislative Reforms Commission

FEMA Foreign Exchange Management Act

FCNRA Foreign Currency Non-Resident Account

FRN Floating Rate Note

FPI Foreign Portfolio Investment

G

GNP Gross National Product

GDR Global Depository Receipt

GDP Gross Domestic Product

GIC Guaranteed Investment Certificates

GIRO Government Internal Revenue Order

GRADE Gas Revenue Accounting Data Exchange

GFD Gross Fiscal Deficit

GPD Gross Primary Deficit

GPF General Provident Fund

G-Sec Government Securities

GBS Gross Budgetary Support

GDCF Gross Domestic Capital Formation

GSTN Goods and Services Tax Network

GSTP Global System of Trade Preference

GAAR General Anti-Avoidance Rule

I

IBPS Institute of Banking Personnel Selection

IIBF Indian Institute of Banking and Finance

IFFCO Indian Farmers Fertilisers Co-operative Limited

IFRS International Financial Reporting Standards

IFSC Indian Financial System Code

IRDAI Insurance Regulatory and Development Authority of India

ICICI Industrial Credit and Investment Corporation of India Limited

IMF International Monetary Fund

INR Indian Rupee

IDRBT Institute for Development and Research in Banking Technologies

IRDPA Integrated Rural Development Programme

IBM International Business Machine

ICOR Incremental Capital Output Ratio

ICRA Investment Information and Credit Rating Agency

IIDC Industrial Infrastructure Development Corporation

IPO Initial Public Offerings

IICA Indian Institute of Corporate Affairs

IMD Indian Millennium Deposits

IIBI Industrial Investment Bank of India

IRBI Industrial Reconstruction Bank of India

ISO International Organisation for Standardisation

J

JEF Japan Economic Foundation

JEH Journal of Economic History

K

KCC Kisan Credit Card

KYC Know Your Customer

L

LAB Local Area Bank

LBS Lead Bank Scheme/Locational Banking Statistics

LIBOR London Inter Bank Offered Rate

LTFP Long Term Fiscal Policy

LERMS Liberalised Exchange Rate Management System

LIC Life Insurance Co-operation of India

LTO Long Term Operation

LC Letter of Credit

LCR Liquidity Coverage Ratio

M

M1	Narrow Money
M3	Broad Money
MSEs	Medium and Small Enterprises
MFI	Melt Flow Index
MICR	Magnetic Ink Character Recognition
MIBOR	Mumbai Inter Bank Offer Rate
MRTTP	Monopolistic and Restrictive Trade Practice
MRTS	Marginal Rate of Technical Substitution
MUDRA	Micro Units Development and Refinance Agency

N

NBC	Non-Banking Company
NDB	New Development Bank
NSSF	National Social Security Fund
NEFT	National Electronic Fund Transfer
NIFA	National Institute of Finance and Accounts
NRFIIP	National Rural Financial Inclusion Plan
NABARD	National Bank for Agriculture and Rural Development
NGO	Non-Government Organisation
NBFC	Non-Banking Financial Companies
NPA	Non Performing Assets
NASSCOM	National Association of Software and Services Companies

O

OECD	Organisation for Economic Co-operation and Development
OPEC	Organisation of the Petroleum Exporting Countries
OD	Over Draft
OIC	Organisation of Islamic Countries

P

PURA	Provision of Urban Amenities in Rural Areas
PPP	Purchasing Power Parity/Public Private Partnership
POS	Point of Sale
PAN	Permanent Account Number
PF	Provident Fund
PD	Primary Deficit

R

RBI	Reserve Bank of India
RCBI	Rural Co-operative Bank in India
RRB	Regional Rural Bank
RR	Revenue Receipts
RTGS	Real Time Gross Settlement
RIDF	Rural Infrastructure Development Fund
RO	Regional Office

S

SDR	Special Drawing Right
SEU	Single Event Upset
SFMS	Structured Financial Messaging System
SHG	Self Help Group
SEWA	Self Employed Women's Association
SEPA	Single Euro Payment Area
SEZ	Special Economic Zone
SEBI	Securities and Exchange Board of India
SIDBI	Small Industries Development Bank of India
STRIPS	Separate Trading of Registered Interest and Principal Securities
START	Strategic Arms Reduction Treaty
SCO	Shanghai Co-operation Organisation
SHCIL	Stock Holding Corporation of India Limited
SCARDB	State Co-operative Agricultural Rural Development Bank
SWAN	State Wide Area Network

T

TIN	Tax Information Network
TPF	Transaction Processing Facility
TRAI	Telecom Regulatory Authority of India
TRIPS	Trade Related Intellectual Property Rights

U

UIDAI	Unique Identification Authority of India
UNEP	United Nation Environment Programme
ULIP	Unit Linked Insurance Plan
UDI	Understanding Deposit Insurance
UUB	Understanding Universal Banking
UCB	Urban Co-operative Bank
UNFPA	United Nation Population Fund

V

VCFs	Venture Capitalist Funds
VAT	Value Added Tax

W

WEF	World Economic Forum
WPI	Wholesale Price Index
WTO	World Trade Organisation
WSS	Weekly Statistical Supplement

Z

ZBA	Zero Balance Account
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GLOSSARY

Acceptance (or banker's acceptance) It is a signed instrument of acknowledgement that indicates the approval and acceptance of all terms and conditions of any agreement on behalf of the banker. It is used in context of financial agreements and contracts.

Accepting House An organisation specialises in two prominent functions i.e. facilitating the different negotiable instruments and merchant banking.

Account Balance The total amount of money in a particular bank account, along with the debit and credit amounts, the net amount, is also termed as the account balance.

Account Reconciliation It is a process with the help of which the account balance can be easily verified. Account reconciliation is usually done at the end of a week, month, financial year or at the end of any financial period. It is usually done with the help of receipts, ATM notes, bank statements records transactions, etc.

Account Statement A financial record that indicates the transactions and its effect on an account (usually bank account), in terms of debits and credits.

Accretion It is the process where the price of a bond that has been bought at a discount is changed to the par value of the bond. It is also defined as a change in the price of a bond that has been bought at a discount to the par value of the bond.

Accrual Basis This is the process of accumulation of interest or money. The accrual basis is calculated by assuming that every month has 30 days. Accrual basis is often used as the common parameter for the calculation of interests and returns.

Accrual Bond This is a bond that has a tendency to pay the investors, an above the market rate. It is also known as range bond.

Accrued Interest An interest accumulated on an investment, but is not yet paid. Some banking books prefer to call it as the interest that is earned, but not yet paid.

Automated Clearing House It operates on a national level and helps banks and financial institutions in the clearance of balances and negotiable instruments that are used at a personalised as well as a mercantile mode of transactions.

Administered Rates Rates of interest which can be changed contractually by lender. In some cases, these rates can also be changed by the depositor and also the payee.

Allotment Letter It is a letter addressed to a subscriber to an issue of shares informing him of the number of share that he has been allotted and where payment was not made with the application, the amount due.

American Depository Receipt (ADR) ADRs are depository receipts which are equal to a specific number of shares of a corporate stock that has been issued in a foreign country. American depository receipts are traded only in the United States of America.

Amortisation of Loans The process of liquidation of loans or securities with the help of periodic reductions. The principal amount of the loan is amortised periodically by the method of payments in installments.

Amortisation Period The amortisation period is basically considered in order to calculate the rate of interest, timeline of installments and also the appropriate amount of all the installments. The term amortisation period is also used in the field of accountancy; however, in a different context.

Amortising Swap It is a swap in the rate of interest that has a declining notional principal.

Annuities They are contracts that guarantee income or return, in exchange for a huge sum of money that is deposited, either at the same time or is paid with the help of periodic payments. Some of the common types of annuities include the deferred, fixed, immediate or variable variants.

Arbitrage It is the simultaneous purchase and sale of two identical commodities or instruments. This simultaneous sale and purchase is done in order to take advantage of the price variations in two different markets.

Asset Any business resource, both tangible and intangible, acquired at monetary cost and which is expected to be of benefit to the business for a period of time, such as buildings, machinery etc. Intangibles include goodwill etc.

Asset Backed Security (ABS) A security that is backed with the help of some kind of valuable assets, is known as an asset backed security. Sometimes, ABS is also referred to as the monthly rate of repayment of a secured loan.

Asset and Liability Management This is the co-ordinated management of all the financial risks inherent in the business conducted by financial institutions. In real practice, asset and liability management aims at minimisation of loss and maximisation of profit.

Assignment It is the transfer of any contractual agreement between two or more parties. The party that assigns the contract is the assignor and the party who receives the assignment is the assignee.

Attrition Analysis It is basically carried out for the purpose of reformation of the assets and liabilities in a balance sheet.

Automatic Stay This is an injunction that automatically becomes effective, after any person or organisation files for bankruptcy. The automatic stay basically precludes the creditors from taking the debtor or the property of the debtor.

Autarky A situation when a country does not no foreign trade.

Average Cost It is a strategy of gradually buying more and more securities in a declining market or selling in a rising market in order to level out/rationalise the purchase or sale price.

Acquirer They are banks and financial institutions that collaborate with businesses to accept credit/debit card payments.

Active Account A bank account in which there are regular transactions. A bank account that is not dormant or inoperative or under an attachment order of the court or enforcement authorities.

Additional Card holder Another member added to an existing card thus extending its usage is called an additional card holder. The responsibility to repay the monthly outstanding balance rests with the original (principal) card holder.

Affinity Card Credit cards linked to special organisations like sports clubs, exclusive clubs and charities. Affinity credit cards can also help raise funds, when a part of income from every transaction goes toward the benefit of relevant organisation.

Automatic Funds Transfer An arrangement that moves funds from one account to another automatically on a pre-arranged schedule e.g. every per day or once a month.

Automatic Payment An arrangement that authorises payments to be deducted automatically from a bank account (usually a savings/current account) to pay bills (such as insurance payments, rent, mortgage or loan payments). Payments are usually scheduled to be made on a certain day of the month.

Available Credit It is your credit limit minus your current balance. It is the unused portion of your credit line.

Bad Debt A debt which is irrecoverable and is therefore written off as a loss in the accounts of a company/bank etc.

Badla It is a method of carrying forward of transactions from one settlement period to another without effecting delivery.

Balance Transfer It is the repayment of a debt with the help of another source of credit. In some cases, balance transfer also refers to transfer of funds from one account to another.

Bank It is an establishment that helps individuals and organisations in the issuing, lending, borrowing and safeguarding functions of money.

Bank Account A bank account is an account held by a person with a bank, with the help of which the account holder can deposit, safeguard his money, earn interest and also make cheque payments.

Bank Debt A bank debt is basically any debt that is owed to a bank, by any kind of consumer, organisation or corporation. The debt may be anything from a bank loan to a credit card debt or an overdraft that has been used.

Bankruptcy It refers to economic insolvency, wherein the person's assets are liquidated, to pay off all liabilities with the help of a bankruptcy trustee or a court of law.

Bid and Offer Bid is a price of share on which a prospective buyer is prepared to pay for a particular scrip. Offer is the price at which a share is offered for sale.

Bill It is a document which gives evidence of indebtedness of one party to another.

Billing Statement It is a summary of all transactions, payments, purchases, finance charges and fees that take place through a credit account during a billing cycle.

Black Market A market in which goods are sold at prices that violate some legally imposed pricing restrictions.

Blue Chip It is a first class equity share, the purchase of which (the share) entails little risk even in economic recessions (Depression).

Bond It is a certificate that represents an interest bearing debt, where the issuer is required to pay a sum of money periodically till maturity and then receive back the accumulated amount.

Borrower This is the party that uses any kind of credit facility and thus, becomes obliged to repay the principal amount and interest on the borrowed amount.

Bounced Cheque It is nothing but an ordinary bank cheque that any bank can refuse to encash or pay because of the fact that there are no sufficient finances in the bank account of the originator or drawer of the cheque.

Boom It denotes increasing activity in a market arising out of greater demand.

Bridge Financing Also known as gap financing, bridge financing is a loan where the time and cash flow between a short term loan and a long term loan is filled up.

Bridge Loan This loan also known as a swing loan, is basically a real estate loan or a home loan, where the current residence/real estate is pledged by the borrower as a collateral in order to purchase a new residence.

Bullion It means gold silver or other precious metal in bulk, i.e. in the form of ingots or bars rather than in coin. A bullion market is a gold market.

Banker's Cheque A cheque issued by a branch of a bank against consideration received. Banker's cheque are valid for a certain period as indicated on the face of the cheque, (also called Pay Order).

Business Credit Card A reward credit card, that comes with special features and rewards for corporate users. Business credit card builds credit history for the associated business. They are a good way to separate business expenses from personal ones.

Cap It is a limit that regulates the increase in the rate of interest and installments of an adjustable rate mortgage.

Capital This means the total net worth of any business establishment, organisation or corporation or the total amount invested for financial returns.

Capital Accumulation It is increase in a country's stock of real capital (i.e. net investment in fixed assets).

Capital Allowances They are reductions in tax liability which are related to a firm's capital expenditure. In most countries expenditure on new capital assets is encouraged by various kinds of allowances and annual depreciation is recognised as an expense of the business in calculating tax liability.

Capital Employed A sets (i.e. fixed plus current assets minus current liabilities), but more usually bank loan and overdrafts are included and other adjustments made for purposes of calculating the return on Net employed such as the exclusion of intangible assets and the revaluation of trade investments at market prices.

Capital Expenditure It is the purchase of fixed assets (e.g. plant and equipment), expenditure on trade investments or acquisitions of other businesses and expenditure on current assets (e.g. stocks). It differs from capital formation.

Capital Formation It is the net investment in fixed assets, i.e. additions to the stock of real capital.

Capital Gains It is a realised increase in the value of a capital asset. It arises when a share is sold for more than the price at which it was purchased. Strictly speaking, the term refers to capital appreciation outside the normal courses of business.

Capital Loss It is a reduction in the money value of an asset. It is the opposite of capital gain.

Capital Stock It refers to the total amount of physical capital in the economy or less commonly, in a firm or industry.

Capital Budget It comprises capital receipt and payments and also incorporates transactions in the public account.

Capital Receipt These are loans raised by the government from the public, which are called market loans, borrowings by the government from the Reserve Bank of India and other parties.

Carry Forward Trading It has evolved a response to local needs in India and it refers to the trading in which the settlement is postponed to the next account period on payment of contango charges (Vyaj badla) in which the buyer pays interest on borrowed funds or the backwardation charges (undha badla). In which the short seller pays a charge for borrowing securities.

Cash Bills and coins, cheques and other negotiable instruments, that are acceptable at banks and are considered to be liquid assets are collectively known as cash.

Cash Advance Fee This is basically charged when a person uses a credit card to obtain cash. In most cases, it is charged as a percentage of the cash advance.

Cash Reserve This is the total amount of cash that is present in the bank account and can also be withdrawn immediately.

Cash Ratio It is the ratio of a bank's cash holdings to its total deposit liabilities. For an individual firm, it is the proportion of its current liabilities that are accounted for by cash in hand, including bank deposits and sometimes payments due from customers.

Capital Inflow Arises when overseas residents buy assets in the domestic economy or domestic residents sell foreign assets.

Capital Outflow Arises when overseas residents sell assets in the domestic economy or domestic residents buy foreign assets.

Capital Widening Increasing the quantity of capital without changing the proportions in which the factors of production are used.

Certificate of Deposit This is a certificate of savings deposit that promises the depositor the sum back along with appropriate interest.

Central Bank This is the governing authority of all the other banks in a country.

Chain Banks Chain banks refer to separately incorporated banks brought under common control by a device by smaller banks of some of their cash reserves with bigger banking.

Cheap Money Money which is available at low rate of interest is known as cheap money.

Closed Economy A closed economy is one which does not have any external economic relationship.

Closing Closing of an account is the final stage of any transaction where both the parties receive almost equal consideration from each other. The term 'closing' from ledger books where the two accounts are 'closed down' i.e. both debit and credit sides become equal.

Co-Borrower A person who signs a promissory note as a guarantee that the loan would be repaid. Thus, the co-borrower plays the role of a guarantor and is equally responsible for the loan.

Consumer Credit It is the credit and loan facility that is provided to the consumer for the purchase of goods and services. It cannot be unsecured if there is collateral. Most consumer credit is unsecured with the help of a collateral.

Common Market An agreement among a group of countries to have free trade among themselves, a common set of barriers to trade with other countries and free movement of labour and capital among themselves.

Correspondent Banking Under the correspondent banking system, banks are linked together through deposits by smaller banks of some of their cash reserves with bigger banks.

Consumer Good A commodity bought by households for use of consumption.

Compound Interest This is the interest that is 'compounded' on a sum of money that is deposited for a long time. The compound interest, unlike simple interest, is calculated by taking into consideration, the principal amount and the accumulated interest.

Consolidated Fund It refers to sums standing to a particular account of exchequer (for which it is often used synonymously into which the proceeds of taxation are paid and from which government expenditure are made).

Conspicuous Consumption It is the ostentatious personal expenditure which satisfies no physical need but rather a psychological need for the esteem of others. Goods may be purchased not for their practical use as status symbols.

Countervailing Duty It is a special additional import duty imposed on a commodity to offset a reduction of its price as a result of an export subsidy in the country of origin.

Coupons These are tokens for payment of interest attached to bearer securities.

Coupon rate It is interest rate on a debt security, which the issuer promises to pay to holder periodical till maturity.

Convertibility A currency is said to be convertible when it may be freely exchanged for another currency or gold.

Creditors He/She is the one to whom an amount of money is due. A firm's creditors are other firms, individuals and perhaps the government to which it owes money in return for goods supplied, services rendered and taxes for which it is liable.

Credit Creation Power of commercial banks to expand deposits through expanding their loans and advances is known as credit creation.

Credit Transfer or Giro In this system a bank or post office will transfer money from one account to another on receipt of written instructions.

Creditors Nation The term is used for a country with a balance of payments surplus.

Credit Rating The amount which a credit agency states a borrower is capable of repaying. Credit rating can be done for stocks, bonds or nations themselves. Some global credit rating agencies are Standard and Poor's (S & P), Moody's etc. CRISIL is the Indian agency rating bonds etc.

Creeping Inflation Slow and persistent rise in general level of prices over a long period.

Cross Listing It refers to listing of instruments of a company on the stock exchange abroad.

Credit Guarantee It is a type of insurance against default provided by a credit guarantee association or other institution to a lending institution. Credit guarantees enable otherwise 'sound' borrowers who lack collateral security or are unable to obtain loans for other reasons, to obtain the credit they require through banks in the normal way.

Cum-Rights The share is cum-rights when a potential purchaser is entitled to receive the current rights.

Current Yield It is the annual interest on bond divided by the market price.

Currency It refers to notes and coins that are the 'current' medium of exchange in a country.

Currency Appreciation It is the increase in the exchanged rate of one currency in terms of other currencies. The term is usually applied to a currency with a floating rate of exchange; upward changes in fixed rate of exchange are called revaluations.

Currency Depreciation It is the fall in the exchange rate, of one currency in terms of other currencies. The term is, usually applied to floating exchange rates. Downward changes in fixed rates of exchange are called devaluations.

Cyclical Unemployment Unemployment in industrial market economies resulting from down showing of economic activity on account of deficient demand (insufficient to ensure Keynesian full employment).

Cancelled Cheque A cheque that has been not paid and cancelled by the drawer-accountholder.

Capital Adequacy Ratio It is the capital to assets ratio which banks are required to maintain against risks. It is also known as Capital to Risk (Weighted) Assets Ratio (CRAR).

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

Credit Card Debt The total unpaid balances on all of your credit cards (not to be confused with the minimum amount you owed each month).

Credit Criteria Factors used by lenders to rate the credit worthiness or ability to repay debt. They may include income, amount of personal debt carried, number of accounts from other credit sources and credit history. A lender is free to use any credit-related information in approving or denying a credit application.

Current Account An account used for commercial purpose. It attracts no rate of interest and is generally charged by the bank with maintenance charges. There is no limit to the number of transactions in this type of account.

Custodial Account An account created for the benefit of a minor with an adult as the custodian.

Dear Money The money available at exceptionally high rate of interest is called Dear money. It is the opposite of cheap money. A dear Money Policy involves keeping interest rates up to restrict the money supply.

Defensive Share It is the share that cannot be bought or sold for some time period.

Deferred Shares It refers to shares issued where ordinary shares have a fixed dividend and which entitle the holder to all profits after prior charges have been met.

Deficit It is an excess of liabilities over assets or of an expenditure flow over an incorrect flow.

Deflation It is a sustained reduction in the general level of prices. Deflation is often, though not inevitably, accompanied by declines in output and employment and is distinct from disinflation which means a reduction in the rate of inflation.

Deposit It is money placed in an account at a bank and constituting a claim on the bank. The term bank deposit includes deposits on all types of account, including current accounts.

Deposit Account It is a bank account in which deposits earn interest and withdrawals from which require notice.

Depression It refers to a business cycle in which there is consistent decline of production, national income and employment level.

Devaluation It is the reduction of the official rate at which one currency is exchanged for another.

Debt Deflation A fall in aggregate demand that is associated with falling asset values, causing a negative wealth effect on consumption. It could also involve a decline in investment as investors wait for asset values to stop falling.

Debt Instruments Any written documents that record the terms of a debt, often providing legal proof of the condition under which interest will be paid and the principal repaid.

Development Gap The gap between less developed countries and developed countries.

Demand Deposit This refers to savings and current account of the bank account that is used.

Demand Pull Inflation A state of rising prices brought about by increase in aggregate demand in the face of short supply.

Dependency Burden That proportion of the total population of a country falling in the ages of 0 to 15 and 64 +, which is considered economically unproductive and therefore not counted in the labour force.

Debt Any amount that is owed by an individual, organisation or corporation to a bank.

Debit It is a banking term that indicates the amount of money that is owed by a borrower. It also indicates the amount that is payable or the amount that has been deducted from an account. The origin of the term is from the concept of debit side of a ledger account.

Debt Settlement It is a procedure wherein a person in debt negotiates the price with the lender of a loan, in order to reduce the instalments and the rate of repayment and ensure a fast and guaranteed repayment.

Debt Repayment It is the total process repayment of a debt alongwith the interest. Sometimes, the consolidation that is provided is also included in debt repayment.

Debt Recovery This is the process that is initiated by the banks and lending institutions, by various procedures like debt settlement or selling of collaterals.

Debt Management It is a process of managing debts and repaying creditors. Debt management is a very broad concept covering almost anything related to debts and their repayment.

Deposit Slip It is a bill of itemised nature and depicts the amount of paper money, coins and the cheques that are being deposited into a bank account.

Depositor The person who deposits money into a bank account is called a depositor.

Derivative A derivative is a security with a price that is dependent upon or derived from one or more underlying assets. Its value is determined by fluctuations in the underlying asset. The most common underlying assets include stocks, bonds, commodities, currencies, interest rates and market indexes.

Depreciation The degradation in the book and monetary value of a fixed asset as a result of wear and tear in the course of time.

Debt Consolidation Loan This is a type of loan, where the bank or the lending institution provides the borrower with a loan that helps the borrower to pay off all his previous debts.

Direct Taxes Taxes levied on persons that can vary with the status of the taxpayer, e.g. income tax.

Discount Rate The difference between the current price of a bill and its maturity value expressed as an annualised interest rate.

Dividend It is a part of the profit that is earned by a corporation or joint stock companies and is distributed amongst the shareholders.

Domestic Income Income generated by the factors of production within the country from its own resources is called domestic income.

Dual Economy The economy of the underdeveloped countries is dualistic in nature, i.e. it falls into two conspicuously distinct, but sharply contrasted divisions. There is a modern sector, mostly in the urban areas where the social and economic organisation is of the advanced nature and there is traditional sector comprising the backward indigenous speaking and production organisation.

Dual Listing When a company's securities are listed on more than one exchange, then it is called dual listing.

Earnest Money Deposit It is made by the buyer to the potential seller of a real estate, in the initial stages of negotiation of purchase.

Earned Income Earnings such as salary or wages, income of working partners or proprietors and certain pensions and social security benefits are treated as earned income for tax purposes.

Economic Costs By economic costs we meant those payments which must be received by resource owners in order to ensure that they will continue to supply them in the process of production.

Economic Profits The difference between the revenues received from the sale of output and the full opportunity cost of the inputs used to make the output. The cost includes the opportunity cost of the owner's capital. Also, called pure profits or simply profits.

E-Commerce (Electronic Commerce) The conducting of business transactions *via* remote electronic means.

E-Cash Also known as Electronic-cash and digital cash, E-cash is a technology where the banking organisations resort to the use of electronics, computers and other networks to execute transactions and transfer funds.

Economic Growth Economic growth means a process of sustained increase in real national income of a country over a long period of time.

Effective Exchange Rate An index number of the value of a nation's currency relative to a weighted basket of other currencies. Whereas an exchange rate measures the rate of exchange of a currency for one other currency, changes in the effective exchange rate indicate movements in a single currency's value against other currencies in general.

Electronic Filing This is the method of filing of tax returns and tax forms on the internet.

Enterprise Zone It is a designated zone in a depressed generally inner-urban area, in which firms located in the zone are given favorable taxation concessions and freedom from a number of planning constraints.

Encryption It is a process that is used to ensure the privacy and security of a person's confidential financial information. The actual process involves scrambling of the data of the person, in such a manner, so that only the person himself can see data.

Endorsement It is basically the handing over of rights of a financial/legal document or a negotiable instrument to another person. The person who hands over his/her rights is known as the endorser and the person to whom the rights have been transferred, is known as the endorsee.

Equilibrium Price The price at which demand for a commodity and its supply are exactly equal is called the equilibrium price. At equilibrium price excess demand and excess supply are both equal to zero.

Equity It is the residual value of a company's assets after all outside liabilities (other than to shareholders) have been allowed for. The equity in a company under liquidation is the property of holder of ordinary shares, hence these shares are popularly called equities.

Estate Duty It is a tax payable on a person's property at his death and before it passes into hands of others.

Euro Currency Market Euro currency market, also known as Eurodollar market, is an international capital market which specialises in borrowing and lending of currencies outside the country issues.

Exchange It exchange is a trade of property, assets, goods or services for consideration of any kind.

Exchange Rate This is basically a rate, with the help of which one country's currency can be exchanged with the currency of another country.

Expiration Date This term indicates the invalidity of a financial document or instrument, after a specified period of time.

Extension Counter Extension Counters provide the prescribed limited services. Banks are permitted to open Extension counters within the premises of big offices/factories, hospitals, military units, educational institution, etc.

Early Repayment Charge (Prepayment charge) Charge that banks and financial institutions levy on borrowers when they prepay the loan amount before the end of loan tenure. Early repayment charge is also called prepayment penalty.

Electronic Clearing Service (ECS) Credit An inter bank arrangement where by a customer can give instructions to his bank where he holds a current or savings account to pay the monthly instalments of payments due on loans/credit cards held with another bank.

Electronic Funds Transfer (EFT) Any transfer of funds initiated by electronic means such as an electronic terminal, telephone, computer, ATM or magnetic tape.

Face Value It is the original value of any security or negotiable instrument.

Factor Costs It is the term used in the national accounts to described the valuations of output at market prices less taxes on expenditure plus subsidies.

Financial Instrument It is anything that ranges from cash, deed, negotiable instrument or for that matter any written and authenticated evidence, that shows the existence of a transaction or agreement.

Financial Intermediary It is basically a party or person who acts as a link between a provider who provides securities and the user who purchases the securities. Share broker and almost all the banks are the best examples of financial intermediaries.

Financial Statement This statement is a record of historical financial figures, reports and a record of assets, liabilities, capital, income and expenditure.

Fixed Income Investments It refers to an investment that pays a fixed rate of return. This usually brings into question a fixed return from a fixed deposit or an investments in a debentures issued by a certain company or a bond issued by some government controlled institution.

Fixed Exchange Rate An exchange rate that is held within a narrow band around some pre-announced par value by intervention of the country's Central Bank in the foreign exchange market.

Fixtures This term is used in the context of a real estate property, when assets like furniture are attached to the real estate and are also included in its book value. Banks, in many cases, are known to include fixtures in the value, if the real estate property has been pledged as a collateral.

Fixed Rate Mortgage This is a home loan, for which the interest rate remains constant and fixed throughout the lifetime of loan.

Floatation It means raising new capital by public subscriptions. A private company issuing share to the public for the first time is said to be going public.

Floating Capital It refers to the capital which is not invested in fixed assets such as machinery, but in work in progress, wages paid, etc. It is synonymous with working capital.

Floating Charge It is an assignment of the total assets of a company or individual as collateral security for a debt, as opposed to particular assets, when such an assignment is called a fixed charge.

Flexible Fund - A mutual fund or other pooled investment that may change its investment strategy as it sees fit, as opposed to sticking to one particular investment vehicle, company size, or asset allocation. If a fund is flexible in its strategy, this will usually be stated in the prospectus and/or other marketing material.

Foreign Bonds These are bonds denominated in the currency of the foreign country where funds are sought to be raised. The issuer is borrower who desires to raise funds outside the domestic capital market.

Foreign Institutional Investor An institution established or incorporated outside India which proposes to make investment in India in securities; provided that a domestic asset management company or domestic portfolio manager who manages funds raised or collected or brought from outside India for investment in India on behalf of a sub-account, shall be deemed to be a foreign institutional investor.

Foreign Investment It is the acquisition by government, institutions or individual in one country of assets another. Foreign investment is defines to cover both direct investment and portfolio investment and includes both public authorities and private firms and individuals.

Foreclosure It is a standardised procedure where creditors like banks, are authorised to obtain the title of the real estate property that has been pledged as a collateral.

Foreign Currency Surcharge It is levied by some banks and credit card companies, when a credit card or an ATM is used in a foreign country.

Funding It is the process of converting short term debt by the sale of long term securities and using the funds received to pay off short term debt. It may be carried out by a company because its capital structure is inappropriate, i.e. to take advantage of the fact that long term capital is normally cheaper and less likely to be withdrawn than short term capital.

Fringe benefits tax - The fringe benefits tax (FBT) was the tax applied to most, although not all, fringe benefits in India. A new tax was imposed on employers by India's Finance Act 2005 from the financial year commencing 1st April, 2005. It was abolished in 2009.

Gateway An interface that links the internet shopper, the online merchant and banking systems in a secure environment. The gateway contains the bulk of the logic for handling processor business rules, processor time-outs and so on.

Group Banking It is one where two or more separately incorporated banks are bought under the control of a holding company which may not be a banking company. The banks bought together may be unit banks or branch banks or both.

Government Bonds It is also known as a government security, is basically any security that is held with the government and has the highest possible rate of interest.

Gross Investment The total value of all investment goods produced in the economy during a stated period of time.

Gross Return on Capital The market value of output minus all non-capital costs, the gross return is made up of depreciation, the pure return on capital, any risk premium and residual which is pure profit.

Gross Domestic Investment (GDI) It consists of the outlays for additions to the fixed assets of both the private and public sectors plus the net value of inventory changes.

Gross Income It is the total income of a person, organisation or corporation in one financial year, before making any deductions.

Gross Tuning Use of monetary and fiscal policies to attempt to correct only large deviations from potential national income.

Gross Dividends These are basically the total amount of dividends that are earned by an individual or corporation in a single accounting and tax year. It must be noted that capital gains are also included in gross dividends.

Grace Period It is an interest free period that is to be given by a creditor to a debtor after the period of the loan gets over, before initiating the process of loss recovery. The grace period depends on the amount of the loan and also the credit score of the borrower.

Ground Rent It is the amount of rent that a leaseholder pays periodically to the owner for using a piece of land.

Grant It is any type of financial aid that is given by the government.

Guarantor He is a creator of trust who takes the responsibility for the repayment of a loan.

Gum-Bonus It is the situation when a potential purchaser is entitled to receive the current bonus.

Hard Currency It refers to a currency traded in a foreign exchange market.

Hedge It is a strategy that is used to minimise the risk of a particular investment and maximise the returns of an investment. A 'hedge' strategy is most of the times, implemented with help of a hedge fund. This term has been written from banker's point of view and may be interpreted differently in field of finance.

Hoarding It is the term for the accumulation of (idle money) balances.

Holding Company It refers to a company that controls one or more other companies, normally by holding a majority of the shares of these subsidiaries.

Hot Money It refers to funds which flow into a country to take advantage of favourable rate of interest in that country. They improve the balance of payments and strengthen the exchange rate of the recipient country.

Holding Period This is the time duration during which a capital asset is held/owned by an individual or corporation. The holding period is taken into consideration, while pledging the asset as a collateral.

Home Equity Debt It is a debt, where the borrower's house is pledged as a collateral.

Hypothecation It is a charge that is created on movable asset as security for a debt. However, the ownership as well as possession of the asset is retained with the borrower.

Import Surcharge It is a temporary increase in import tariffs designed to correct a short term balance of payments deficit and to stabilise the exchange rate.

Imputed Cost or Implicit Cost It is the cost attributed to using an asset which is owned by the user. It is the opportunity cost of not putting an asset to its best alternative use.

Incremental Capital Output Ratio (ICOR) The amount of capital needed to raise output by one unit.

Index Number It is a weighted average of a number of statistical observations of some economic attribute, as a percentage of a similar weighted average calculated for the attribute at an earlier or base, period.

Inter Bank Market It is the money market in which banks borrow or lend among themselves for fixed periods either to accommodate short term liquidity problems or for lending on. The interest rate at which funds on loan are offered to first class banks is called the Inter Bank Offered Rate (IBOR) or in London, the London Inter Bank Offered Rate (LIBOR).

Inactive Money It is the money which is not in circulation, i.e. not on deposit or invested in other financial asset or being used for transaction. Inactive money is also referred to as idle money or idle balances.

Installment Contract It is a contract where the borrower, who is also the purchaser, pays a series of instalments that includes the interest of the principal amount.

Interest It is a charge that is paid by any borrower or debtor for the use of money, which is calculated on the basis of the rate of interest, time period of the debt and the principal amount that was borrowed. Interest is, sometimes, also titled as the 'cost of credit'.

Interest Rate It is the percentage of principal amount that is paid as an interest for the use of money. Usually, the interest rate is decided by a country's Central Bank, on the basis of the economic conditions.

Interchange Fee The fee that your bank pays the consumer's bank for each credit card transaction that is settled.

Joint and Several Liability This is a legal term utilised to point that two or more entities are individually and collectively responsible.

Joint Stock Company It is that form of business organisation in which the capital of the company is jointly held by a large number of people, who have purchased its shares. The joint stock companies are also known as corporated organisations or corporations.

Laissez Faire Policy It is the policy of non-interference by the state in the working of economy. It may also be termed as least intervention policy.

Lease A contract, through which the owner (lessor) of a certain property, allows another (lessee) to use the same for a specified period, in exchange for a value called the rent.

Letter of Credit A document issued by a bank (on behalf of the buyer or the importer), stating its commitment to pay a third (seller or the exporter) a specific amount for the purchase of goods by its customer, who is the buyer. Letters of credit are mainly used in international trade transactions of huge amounts, wherein the customer and the supplier live in different countries.

Life Cap The upper and lower limit for changes in the borrower's interest rate over the term of his/her loan.

Listed Company It is a company whose shares are listed on the main market of the stock exchange.

Listed Security It is security listed and tradable on the stock exchange. Companies wishing to have their equity shares listed must comply with a number of requirements concerned with the disclosure of information. Besides, they must be registered.

Long Term Debt An amount owed for a period exceeding 1 year, from the date of last balance sheet/accounting yr. Otherwise known as funded debts, long term debts refers to those loans, which become due after 1yr from the last balance sheet/accounting year. Such debts can be a bank loan, bonds, mortgage, debenture or other obligations.

Ledger Folio A set of 40 consecutive transactions in an account.

Legal Checks (Scrutiny of Title Deeds) Before disbursal of a home loan or loan against any property, usually the bank conducts a legal check on the property being offered as collateral. It involves screening all the documents etc, related to the property. This is done to ensure that the property in question has a clear title.

Liability It is the responsibility for a loan or credit account. The liabilities are resources (sources of funds), which the business mobilises to acquire assets for running income.

Maturity The term maturity is used to indicate the end of investment period of any fixed investment or security. After maturity, investor is repaid the invested amount alongwith interest that has been accumulated.

Maturity Date It is the date on which the investment or security attains maturity.

Master Card An association of banks that governs the issuing and acquiring of Master Card, Credit Card Transactions and Maestro Debit Transactions.

Managed Currency A currency is said to be managed if the exchange rate is not fixed by free market forces, i.e. if the government influences the rate by buying and selling its own money or by other means.

Masala bonds Masala bonds are bonds issued outside India but denominated in Indian Rupees, rather than the local currency. The term was used by IFC to evoke the culture and cuisine of India. Unlike dollar bonds where the borrower takes the currency risk, masala bond investors will bear the risk.

Merchant Banks They are institutions that carry out a variety of financial services, including the acceptance of bills of exchange, the issue and placing of land and securities, portfolio and unit trust management and some banking services.

Mixed Economy It is a form of economic organisation, in which elements of capitalist economy and those of socialist economy are found mixed together.

Mixed Banking The banking system, combines commercial banking with investment banking is known as mixed banking. It is now referred to as universal banking.

Mortgage It is a legal agreement between the lender and borrower where real estate property is used as a collateral for the loan, in order to secure the payment of the debt. According to the Mortgage Agreement, the lender of the loan is authorised to confiscate the property, the moment the borrower stops paying the instalments. This agreement conveying conditional ownership of assets as a security for a loan becoming void when the debt is repaid.

Mortgage Refinance This involves the replacement of current debt with another debt with more convenient terms and conditions.

Money Laundering It is a process for conversion of money obtained illegally to appear to have originated from legitimate sources.

Mobile Branches In terms of extant instructions, Mobile branches are allowed to be opened/operated only in Tier 3-6 Centres (i.e. up to centres with population of below 50000). They provide banking services at the doorstep.

Multicity Cheque Cheque issued by a customer under a pre-approved arrangement with the bank whereby the bank agrees to pay them at designated centres and branches in the country.

Margin Amount It is the difference between the total cost of a project and the sanctioned loan amount.

National Savings Certificates (NSC) It is one of the most popular post office tax saving scheme. It is primarily used for small saving and income tax saving investments in India.

Near Money It refers to an asset which like money acts as a store of value, but which is not immediately acceptable as a medium of exchange, e.g. a building society deposit.

Net Operating Loss A total loss that is calculated for a tax year and is attributed to business or casualty losses.

Negative Amortisation When the monthly payment is unable to cover the principal and the interest due, there is a slow increase in the mortgage debt. This situation is termed as negative amortisation.

Net Tangible Assets It means fixed assets plus current assets minus intangible assets such as goodwill and minus current liabilities.

Non-liquid Asset A possession or asset which cannot be changed into cash very easily is called non-liquid asset.

Non Performing Asset A non performing asset (NPA) refers to a classification for loans on the books

of financial institutions that are in default or are in arrears on scheduled payments of principal or interest.

Non Recourse Loan A loan which is secured by collateral and for which borrower is not personally liable, is called a non recourse loan.

No Documentation Loan When the applicant furnishes minimum information, giving only name, address, contact information for the employer and social security number for the application of the loan, it is called a no documentation loan.

Offline Debit Card This refers to a card which is issued by a bank and has a VISA or Mastercard logo on it. It can be issued, either instead of or alongwith a ATM card.

Oligopoly It is a type of market in which there is a relatively high degree of concentration, i.e. a small number of firms account for a large proportion of output, employment, etc.

Open Economy An economy that has trade relationship with other countries is called an open economy. It exports and imports things as a normal part of its activity.

Optional Money It is non-legal tender money, but it is generally accepted by the people as a medium of exchange.

Online Banking The accessing of bank information, accounts and transactions with the help of a computer through the financial institution's website on the internet, is called online banking. It is also called internet banking or e-banking.

Overdraft It is a cheque or rather an amount of cheque, which is above the balance available in the account of the payer.

Overdraft Protection A service which permits a verification account to be connected to other savings or line of credit for facilitation of protection against overdrafts is called overdraft protection.

Open End Credit This means a line of credit that can be used a number of times, upto a certain limit. Another name for this type of credit is charge account or revolving credit.

Origination Fee The charges a lender or creditor levies for processing a loan. It includes cost of loan document preparation, verification of the credit history of the borrower and conducting an overall appraisal.

Ordinary Dividends Dividends, which are a distribution of the profits of a company are called ordinary dividends.

Par Value It is the price at which a share or other security is issued, i.e. the face value of the investment. A share is said to be standing above par if its quoted price on the stock exchange is greater than that at which the share was issued.

Payee Payee is the person to whom the money is to be paid by the payer.

Payer Payer is the person who pays the money to the payee.

Pending Transaction A transaction that has not yet been settled.

Permanent Income Maximum amount that a person can consume per year into the indefinite future without reducing his or her wealth.

Perpetuity A bond that pays a fixed sum of money each year forever and has no redemption date. Sometime, called a consol.

Personal Disposable Income The gross income of the personal sector less all direct taxes and national contribution.

Personal Income Income earned by or paid to individuals, before deducting personal income taxes.

Personal Identification Number A PIN is usually required when performing financial transactions using a debit or credit card. It is a secret code of numbers and alphabets given to customers to perform transactions through an automatic teller machine or an ATM.

Positional Goods Goods that are necessarily scarce and whose security cannot be reduced by increased productivity e.g. gold.

Positive Economics It is the economic propositions which can, at least in principle, be verified by observation of events or states of the real world that is, without reference to value judgements.

Point of Sale (PoS) Point of sale terminal is where cash registers are replaced by computerised systems.

Premium It is the difference, where positive, between the current price or value of a security or currency and its issue price or par value.

Privatisation It is the sale of government owned equity in nationalised industries or other commercial enterprises to private investors, with or without the loss of government control in these organisations.

Private Company It is a type of business organisation that permits a limited number of shareholders to enjoy limited liability and to be taxed as a company.

Previous Balance It is an outstanding amount which appears on the credit card statement on date when it is generated.

Principal It is basic amount which is invested to yield returns over a certain period of time at a given rate of interest.

Post Dated Cheques (PDCs) Mode of Repayment A payment mode wherein the customer provides Post Dated Cheques (PDCs) for the repayment of the loan dues.

Pre-Approved Credit Credit card or a line of credit that is approved based upon available data without further information supplied by the potential card member.

Pre-Closure Closure of the loan account prior to the tenure fixed for the account.

Prime Rate This is the rate on which each bank fixes its own prime lending rate for advances.

Promissory Note This is a binding legal document that a borrower signs to obtain a loan.

Quick Ratio It is also called as the acid test ratio. It measures the company's liabilities and determines its assets to pay off its obligations.

Range Bonds Bonds which cease the payments because the reference rate of the bond increases or decreases, as compared to pre-determined rate on a given index.

Rate Covenant Rate covenant in a municipal bond determines the rates to be charged to buyers.

Real Exchange Rate An index of the relative prices of domestic and for foreign goods.

Real Income Real income is income expressed in terms of a general level of prices of a particular year taken as base.

Receipt A hard copy description of the transaction that occurred at the point of sale.

Recession It is an imprecise term given to a sharp slow down in the rate of economic growth or a modest decline in economic activity, as distinct from a slump or depression, which is a more severe and prolonged downturn. Recessions are a feature of the trade cycle.

Regressive Tax It is a tax which takes a decreasing proportion of income as income rises.

Reserve Currency It is a currency which, government and international institutions are willing to hold in their Gold and Foreign Exchange Reserves and which finances a significant proportion of international trade.

Retrieval Request A request to a merchant for documentation concerning a transaction, usually a cardholder dispute or suspicious sale or return. A retrieval request can lead to a charge back.

Refinance This means clearing the current loan with the proceeds of a new one and using the same property for collateral.

Revolving Line of Credit It is a rule followed by the lender, which binds him to allow a certain credit to the borrower.

Record Date A date set by the issuer, on which an individual must own the shares, so as to be eligible to receive the dividend.

Reconveyance In banking terms, reconveyance is transfer of property to its real owner, once the loan or the mortgage is paid off.

Redemption Fee A commission or fee paid, when an agent or an individual sells an investment such as mutual funds or annuity.

Reference Asset An asset such as debt instrument which has a credit derivative is called as a reference asset.

Reference Rate The basis of floating rate security is called as the reference rate.

Refunding The act of paying back the amount or returning the funds is called as refunding.

Reinvestment Risk The risk that arises from the fact that dividends or any yields may not be eligible for investment to earn the rate of interest is called as the reinvestment risk.

Relative Value The liquidity, risk and return of one instrument in relation to another financial instrument is the relative value.

Repossession Taking back of property by a seller or a lender from the buyer or the borrower due to default of payment.

Reserve Account An account which is maintained by depositing undistributed parts of profit for future needs is called as a reserve account.

Reserve Requirements Cash money or liquidity that member banks need to hold with the Central Bank.

Residual Value The anticipated value that a company calculates to sell its asset at the end of its full life.

Recurring Billing In recurring billing, the credit cardholder authorises a merchant or vendor to charge his credit card on a regular basis.

Repo Rate It is basically the rate at which RBI lends to commercial banks for meeting the short term deficits. RBI varies repo rate from time to time, to achieve its monetary policy objectives.

Returned Cheque When you do not have enough available funds in your account (including any overdraft protection transfer from another account) to cover a cheque, the bank may decide not to pay the cheque and to return it to the payee. A returned item fee may be charged to your account.

Revalidation Duly authenticated extension of the validity period for negotiation/payment of cheque/draft or a negotiable instrument.

Reverse Mortgage A financial product, which provides senior citizens with funds against their home equity. Senior citizens, can get a regular amount monthly, quarterly or as a lump sum. They can live in their homes for their lifetime and after that banks can recover the amount by selling the property or if the heirs of the property want, they can claim it by repaying the dues to the bank.

Revolving Credit A credit agreement that allows consumers to pay all or part of the outstanding balance on a loan or credit card. As credit is paid off, it becomes available again to use for another purchase or cash advance.

Sales Tax It is a tax levied as a proportion of the retail price of a commodity at the point of sale.

Saving Bank It is a bank which accepts interest-bearing deposits of small amounts.

Saving Deposits Those deposits on which the bank pays a certain percentage of interest to the depositors, but the bank place certain restrictions on withdrawal.

Secondary Bank It is a financial institution which accepts deposits and makes loans, but which has relatively few branches and therefore, does not play a major role in the payments system as far as the general public is concerned.

Secured Loan A loan which is backed by a pledging of real or personal property (collateral) by the borrower to the lender.

Security Property or assets which are pledged to the lender by the borrower, as a guarantee for the repayment of a loan.

Seller Broker A person who finds a buyer for the seller of a property and aids the latter in negotiation, in lieu of a commission.

Seller Carryback A form of financing wherein the seller of a property finances the buyer, who finds it difficult to procure a loan or fails short of the amount needed to buy the property. In short, it is a part of the purchase amount which the seller offers to finance. This term is also known as carryback loan or seller's second.

Soft Currency It is a currency whose exchange rate is tending to fall because of persistent balance of payments (BoP) deficits or because of the building up of speculative selling of the currency in expectation of a change in its exchange rate.

Speculation Taking a financial position that will yield profits if prices move in a particular direction in future, but will yield losses if they move the other way.

Stagflation It means inflation associated with static or declining output and employment.

Stock Broker He is a member of the stock exchange, who buys and sells securities for clients, in return for a commission on the price of the shares.

Subsidy It refers to government grants to suppliers of goods and services. A subsidy may be intended to keep prices down (i.e. to raise real incomes of buyers), to maintain incomes of producers (e.g. farmers) or to maintain a service or employment.

Syndicated Loan A very large loan extended by a group of small banks to a single borrower, especially corporate borrowers. In most cases of syndicated loans, there will be a lead bank which provides a part of the loan and syndicates the balance amount to other banks.

Standing Instruction Signed instructions given by a customer to his/her bank to make regular transfer of funds for specified purposes and valid for the period indicated by the customer until the instruction is withdrawn.

Stop Payment Stop payments are generally placed on lost or stolen cheques or on cheques related to disputed purchases. Banks usually levy charges for registering stop payment instructions.

Stored Value Card This is a special type of credit card, which has a stored money value. Stored value card can be reloadable, in which case more money can be added to the stored value card and can be reused.

Tax A compulsory payment to government, against which there is no quid pro quo.

Tax Break A situation which is providing some relief from tax, in whole or part.

Tax Evasion Illegal escape from tax payment; black market incomes result from tax evasion.

Tax Shifting It refers to the phenomenon whereby those on whom taxes are levied are able to pass the burden either partly or fully on to others.

Term Structure of Interest Rates This phrase relates to the relationship between interest rates on bonds of different due dates, generally described in the form of a chart, often known as a 'yield curve'.

Time Deposit A kind of bank deposit which the investor is not able to withdraw before a time fixed when making the deposit.

Time Value This is the sum of money that an option's premium surpasses its intrinsic worth and is also called as 'time premium'.

Total Revenue It refers to the total money receipts of a firm from the sale of a certain given quantity of output.

Trading Currency It is the currency in which international trade is invoiced.

Transfer Deed It is a legal document by which ownership of securities is transferred from the seller to the buyer.

Transfer Payments It refers to grants or other payments not made in return for a productive service, e.g. pensions, unemployment benefits and other forms of income support, including charitable donations by companies.

Travellers Cheque They are issued through banks acting as sale agents or sold directly to the public. The purchaser pays for the cheque in advance and signs them twice once when ordering the cheque and once when cashing them.

Transaction Fee A 'per transaction' charge incurred by merchants, who are on scale pricing. This is in addition to the percentage discount fees.

Unit Banking Under the unit banking system, the banking operations are carried through single banking office rather than through a network of branches. Under this system, the area of operations as well as the size of the bank is smaller and far more limited.

Ultra-small Branch It can function with minimum infrastructure such as CBS terminal linked to passbook printer and a safe for cash retention to be managed full time by bank's staff. This may be treated as a regular branch or a satellite office.

Underwriter Any investment or commercial financial firm or a securities house that works with an issuing entity for the purpose of selling a new issue.

Universal Life Insurance A type of life insurance which blends term insurance protection with a savings element.

Visa An association of banks that governs the issuing and acquiring of Visa card transactions.

Wholesale Banking Banking which offers services to other corporate entities, large institutions and other financial institutions.

Withdrawals Removing of funds from a bank account is called as making a withdrawal.

Without Recourse A term which signifies that the buyer is responsible for non-performance of an asset or non-payment of an instrument, instead of the seller.

Working Capital The difference between current assets and current liabilities.

Yield The returns earned on a stock or bonds, as per the effective rate of interest on the effective date, is called as a yield in the banking terms.

Yield to Maturity (YTM) The average annual yield that an investor receives because he holds it for life or till the maturity date, is called as the yield to maturity.

Zero Balance Account A bank account which does not require any minimum balance is termed as a zero balance account.

Zero Coupon Yield Curve It is also called as spot yield curve and is used to determine discount factors.

Zero Liability Protection A bank guarantee, if your card is lost or stolen, you may not be responsible for unauthorised purchases made with your card if you report the theft promptly. The Zero Liability Protection Programme is free and automatically available on all bank consumer credit cards.

Zero Rated Bond Bond that pays no interest but instead is sold at a deep discount on its par value, or an interest paying bond that has been stripped of its coupon which is sold separately as a security in its own right.

FINANCIAL AND BANKING CURRENT AFFAIRS

BLS International becomes National Business Correspondent of SBI

On September 21, 2021, BLS International Services Ltd has been selected as National Business Correspondent for State Bank of India (SBI) to deliver banking services in urban, semi-urban and rural areas across the country.

This partnership is aimed at delivering last mile banking services to the tier 2 & tier 3 cities.

It would deliver last mile banking services to support the financial inclusion mission of Indian government.

OECD Trims India's Economic Growth Forecast for FY22

The Organisation for Economic Cooperation and Development (OECD) on September 21, 2021 cut its projection of India's economic growth by 0.2 percentage points to 9.7% for the current financial year. The OECD has revealed this in its latest report, titled "Economic Outlook, Interim Report, Keeping the Recovery on Track".

The Indian economy was projected by the grouping of advanced nations to grow by 7.9% next financial year, 0.3 percentage point slower than pegged by it earlier.

45th GST Council Meeting Held

The 45th GST Council meeting was held on September 17, 2021, at Lucknow, Uttar Pradesh, chaired by Union Finance Minister Nirmala Sitharaman. The Council meeting was held physically for the first time after one and a half years of virtual meetings.

Highlights of the Meeting

- Expensive life-saving drugs such as Zolgensma and Viltepso used to treat muscular atrophy are exempted from GST.
- Concessions on drugs used for COVID-19 treatment which include Amphotericin B (nil rate), Remdesivir (5% rate), Tocilizumab (nil rate) and anti-coagulants like Heparin (5% rate), have been extended until 31st December 2021.
- Cancer-related drugs (Keytruda being one of them) are now at a reduced rate of 5% from 12%.
- The GST rate on retro fitment kits used by disabled persons is now reduced to 5%.
- The GST rate on fortified rice kernels used for ICDS is reduced from 18% to 5%.
- GST rate on bio-diesel supplied to oil marketing companies reduced from 12% to 5%.
- Transport of goods exported by vessels and air exempted from GST until September 30, 2022.

India to become World's 3rd Largest Importer by 2050

According to a report 'Global Trade Outlook', released by the UK's Department of International Trade on September 20, 2021, India could become the world's third-largest importer by 2050.

With a 5.9% share of global imports by 2050, the country will become the third-largest importer, following China and the United States.

At present, India occupies the eighth spot on the list of the largest importing countries with a 2.8% share.

As per the Global Trade Outlook report, the country's position on the list will jump to the fourth position by 2030 with a 3.9% share.

The report suggests that there will be a change in import trends in fur as the US and European Union's share of imports is expected to decline, while Asia will see its share of global imports rise.

Income Tax Rules Amended

The Central Board of Direct Taxes (CBDT) on September 8, 2021 amended the Income-tax Rules to ease authentication of electronic records submitted in faceless assessment proceedings.

The move will ease the process of authentication of electronic records in faceless assessment proceedings.

NDB Approved Three New Members

The Shanghai based New Development Bank (NDB) has approved United Arab Emirates (UAE), Uruguay and Bangladesh as its new member countries.

In 2020, the NDB Board of Governors initiated the negotiation to expand its membership.

As a result UAE, Uruguay and Bangladesh have been admitted as the first new member countries of the NDB.

India Becomes 3rd Largest Startup Ecosystem

The Hurun Research Institute has released the Hurun India Future Unicorn List 2021 on September 3, 2021.

India is the third largest Unicorn ecosystem in the world after the USA and China.

Hurun India Future Unicorn List 2021 is a list of the most valuable private equity or venture capital-funded companies in India founded after 2000.

IMF Increased India's Quota of SDR

The International Monetary Fund (IMF) on September 3, 2021 made an allocation of Special Drawing Rights (SDR) 12.57 billion to India (approx \$ 17.86 billion).

With this, the total SDR holding of India has gone upto SDR 13.66 billion (equivalent to around \$ 19.41 billion).

The IMF has allocated a total of SDR 456 billion to all its member countries out of which India has got SDR 12.57.

EASE 4.0 Unveiled

Union Minister of Finance Nirmala Sitharaman on August 27, 2021 unveiled the fourth edition of the Public Sector Bank (PSB) Reforms Agenda 'EASE 4.0' for 2021-22.

The major theme for EASE 4.0 is 'Technology-enabled, Simplified and Collaborative Banking'.

EASE 4.0 aims to further the agenda of customer-centric digital transformation and deeply embed digital and data into PSBs' ways of working.

EASE 4.0 sets the agenda and roadmap to transform all PSBs into digital-attacker banks working hand-in-hand with key constituents of the financial services ecosystem to offer industry-best customer experience.

New Cybersecurity Multi- Donor Trust Fund Launched

The World Bank has launched a new Cybersecurity Multi-Donor Trust Fund on August 16, 2021.

It's aimed at better defining and systematically rolling out the cybersecurity development agenda to help ensure a more substantial reflection of cybersecurity considerations across its programs and financing.

It will help ensure that countries and their citizens can safely and securely take full advantage of the ongoing digital transformation and development.

National Monetisation Pipeline Scheme Unveiled

Finance Minister Nirmala Sitharaman unveiled a four-year National Monetisation Pipeline (NMP) scheme on August 23, 2021.

The four-year NMP will unlock value in brownfield projects by engaging the private sector, transferring to them the rights but not the ownership in projects.

The pipeline has been developed by **NITI Aayog**, in consultation with infrastructure line ministries, based on the mandate for **Asset Monetisation** under Union Budget 2021-22.

New Rules to Empower Independent Director

Capital markets regulator SEBI has amended the rules to empower independent directors on August 7, 2021.

It has overhauled rules about the appointment, removal, and remuneration of independent directors to ensure their independence and effectiveness.

To give effect to the new rules, SEBI has amended LODR (Listing Obligations and Disclosure Requirements) Regulations.

IMF Estimated Global Growth Forecast 2021

The International Monetary Fund (IMF) on July 21, 2021 estimated that the global growth for 2021 will be approximately 6% but some countries are growing faster and other more slowly.

The IMF projected in April that 2021 global growth would hit 6%, a rate unseen since the 1970s.

India's first 'Grain ATM' Launched

India's first grain dispensing ATM has been installed at Farrukhnagar in Gurugram district of Haryana under a pilot project on July 15, 2021. Main objective of this project is to make ration dispersal hassle and complaint free for citizens.

These Grain ATMS are being installed under the 'World Food Programme' of 'United Nations'.

The 'Grain ATM' is equipped with biometric system with a touch screen, so that beneficiaries can use ration cards or fingerprints to use it.

Establishment of IFSCA

The International Financial Services Centres Authority (IFSCA) has been set up vide IFSCA Act, 2019 on July 12, 2021. It aims to develop and regulate the financial products, financial services and financial institutions in the IFSCs.

The framework will enable Exporters and Importers to avail various types of trade finance facilities at competitive terms, for their international trade transactions through a ITFS.

Department of Public Enterprises Came under Finance Ministry

The government on July 8, 2021 brought Department of Public Enterprises (DPE) under the Finance Ministry in a bid to facilitate its ambitious disinvestment programme.

Earlier, DPE was a part of Ministry of Heavy Industries and Public Enterprises.

The gazette notification issued said these rules may be called the Government of India (Allocation of Business) 361st Amendment Rules, 2021.

Norms to Regulate Direct Selling Companies

The government on July 7, 2021 notified a draft norm to regulate direct selling firms like Amway and Tupperware to protect the interest of consumers in India. Under the norms, these direct selling firms will not be allowed to offer pyramid and money circulation scheme.

Union consumer affairs ministry has framed Consumer Protection (Direct Selling) Rules, 2021. New draft rules propose penalties for violations.

Direct selling companies will have to register themselves under relevant.

HFCs Allowed to Use to SARFAESI Law

The Ministry of Finance on June 22, 2021 allowed housing finance companies (HFCs) with asset size of over ₹ 100 crore to recover the dues using SARFAESI law.

Earlier HFCs with assets over ₹ 500 crore (and notified by Finance Ministry) were allowed to use SARFAESI law to recover dues. This act allows banks and other financial institutions to auction residential or commercial properties (of defaulters) to recover loans.

BHIM-UPI Launched in Bhutan

Union Finance Minister, Nirmala Sitharaman and her Bhutanese Counterpart, jointly launched BHIM-UPI in Bhutan on July 13, 2021. With these developments, Bhutan became second country after Singapore to have BHIM-UPI acceptance at merchant locations.

Bhutan has also became the only country to both issue and accept Rupay Cards as well as accept BHIM-UPI.

India Ranked 51st in Terms of Money Parked in Swiss Bank

India has been ranked at 51st position in terms of money parked by its citizens and enterprises with Swiss bank in 2020, as per the data released by **Swiss National Bank** (SNB) in June 2021. Funds held by Indian individuals and firms in Swiss banks in 2020 were over 2.55 billion Swiss francs (₹ 20706 crore).

The **United Kingdom** is on top. The UK is followed by the USA, West Indies, France and Hong Kong in the top Five.

India Ranks 1st in Digital Payment Transactions Globally

A new report released on March 31, 2021 found that India ranked first in number of digital payment transactions in 2020, ahead of China, South Korea, Thailand and the UK.

Last year, instant payments accounted for 15.6% of all transactions while other electronic payments had a 22.9% share in India. The cumulative share of digital payment transactions is estimated to grow to 71.7% by 2025.

India's Foreign Exchange Reserves Surpassed Russia

India's foreign exchange reserves surpassed Russia's **to become the world's fourth largest reserve** on March 15, 2021. The foreign currency holdings of India stood at \$ 580.3 billion as of 5 March, as per the data by the Reserve Bank of India (RBI) while the reserve of Russia was \$ 580.1 billion.

Overall China has the largest reserves, followed by Japan and Switzerland as on the International Monetary Fund table.

US Become India's Second Biggest Oil Supplier

The United States on March 15, 2021 overtaken Saudi Arabia as India's second biggest oil supplier. The overall import of India from the United States rose 48% to a record 545300 barrels per day (bpd) in February 2021 compared to January 2021.

In contrast, the imports from Saudi Arabia in February 2021 fell by 42% compared to January 2021, to a decade-low of 445200 bpd. Iraq continued to be the top oil supplier to India despite a 23% decline in purchases to a five-month low of 867500 bpd.

'RuPaySoftPoS' for Merchants

National Payments Corporation of India (NPCI) and SBI Payments on March 8, 2021 have partnered to launch 'RuPaySoftPoS' for Indian merchants.

RuPaySoftPoS will enable merchants to use their near-field communication (NFC)-enabled smart phones as point of sale (PoS) terminals and accept payment up to ₹ 5000 through a simple tap and pay mechanism.

The RuPaySoftPoS solution will provide cost effective acceptance infrastructure to retailers at nominal cost.

EPFO Keeps Interest Rate Unchanged at 8.5% for 2020-21

The Employees' Provident Fund Organisation (EPFO) on March 4, 2021 announced the interest rates on Provident Fund deposits for the financial year, 2020-21.

The EPFO board has recommended 8.5% interest for the financial year 2020-21, same as 2019-20.

The decision was taken by the EPFO's central board of trustees led by Labour and Employment Minister Santosh Kumar Gangwar.

RBI ACTIVITIES

Committee on NUE Licenses

The Reserve Bank of India (RBI) will setup a committee to scrutinize applications and give recommendations on New Umbrella Entity (NUE) licenses. The 5-member committee will be headed by P. Vasudevan.

The NUEs will establish their own payment infrastructure to compete with National Payments Corporation of India (NPCI).

Incentive Enhanced for Distribution of Coins

The RBI has increased the incentive that it gives to the banks for the distribution of coins over the counter from ₹ 25 per bag to ₹ 65 per bag of coin from September 1, 2021.

The RBI provides incentives to banks and currency chests under the 'Currency Distribution & Exchange Scheme (CDES)' for the distribution of coins over the counter. This is done to promote the circulation of coins.

An additional incentive of ₹ 10 per bag would be paid for coin distribution in rural and semi-urban areas on the submission of a CA / Auditor certificate to this effect. (ie ₹ 75 per bag).

Limit under Indo-Nepal Remittance Facility Enhanced

The RBI has increased the limit of fund transfer under the Indo-Nepal Remittance Facility Scheme from ₹ 50000 per transaction to ₹ 2 lakh per transaction on August 28, 2021.

Earlier there was a ceiling limit of 12 transactions in a year. Now, this limit has also been removed.

However, for cash-based transfers under the Indo-Nepal Remittance Facility, the per transaction limit of ₹ 50000 will still be present with a maximum number of transfers in a year allowed at 12.

NBFC Licence to GyanDhan

India's first education financing platform 'GyanDhan' has received NBFC license from the RBI

on July 30, 2021. It aims to disburse ₹ 650 crore worth of education loans in Financial Year 2022.

Out of this, ₹ 50 crore will be for domestic short-term courses offered by various ed-tech players and coaching Institutes.

It has already partnered with various companies to offer interest-free education loans to students.

Mastercard Barred from Issuing New Cards

The RBI indefinitely barred the OS-based Mastercard from issuing new credit, debit and prepaid cards with effect from July 22, 2021 for its failure to comply with data storage forms. Mastercard is a major card issuing entity in the country.

It is the third company to have been barred by RBI from acquiring new customers after American Express Banking Corp and Diners Club International over data storage issue.

The RBI clarified that its supervisory action will not impact the services of the existing customers of Mastercard in the country.

Banks to Implement Image-based CTS in All Branches

The RBI has asked banks to implement the image-based Cheque Truncation System (CTS) in all branches by **September 30, 2021**.

The CTS clearing mechanism will bring operational efficiency in paper-based clearing and make the process of collection and settlement of cheques faster resulting in better customer service.

The CTS is in use since 2010 and presently covers around 150000 branches. However, there are about 18,000 bank branches that are still outside any formal clearing arrangement.

Lakshmi Vilas Bank Excluded from the Second Schedule

The RBI on May 10, 2021 excluded Lakshmi Vilas Bank from the Second Schedule of the Reserve

Bank of India Act, 1934 with effect from November 27, 2020.

The move was taken after the crisis-ridden Lakshmi Vilas Bank was merged with DBS Bank on 27 November, 2020. A bank mentioned in the Second Schedule of the Reserve Bank of India Act is known as 'Scheduled Commercial Bank'.

New Changes in Government Securities Auction Methodology

The RBI on July, 3 2021 announced a change in Government securities auction methodology for benchmark securities. The changes in benchmark securities of tenor 2-year, 3-year, 5-year, 10-year, 14-year tenor and Floating Rate Bonds (FRBs) are announced by RBI.

Under this method, all the successful bidders are required to pay for the allotted quantity of securities at the same rate, which is the auction cut-off rate, irrespective of the rate quoted by them.

The decision was taken according to the review of market status, market borrowing program of the government.

Quarterly Basic Statistical Return (BSR-I) Released

The RBI on June 29, 2021 released 'Quarterly BSR-I Outstanding Credit of Scheduled Banks for March 2021. As per the report, there is a negative credit (loan) growth for India's industrial sector for FY 2021.

The negative growth is due to the pandemic COVID-19. Quarterly BSR (Basic Statistical Returns) is a web publication of the RBI. It is based on granular account-level information; it presents various characteristics of bank credit such as occupation or activity and organisational sector of the borrowers etc.

Guidelines for NBFCs to Declare Dividend

The RBI on June 24, 2021 issued guidelines that spell out the eligibility criteria for non-banking finance companies (NBFCs) to **declare dividends**. The new guidelines will be effective for declaration

of dividend from the profits of the financial year ending 31 March, 2022 and onwards.

A dividend is a distribution of profits by a corporation to its shareholders. When a corporation earns a profit or surplus, it is able to pay a proportion of the profit as a dividend to shareholders.

Guidelines on Prepaid Instruments and Payment Banks

The RBI on May 20, 2021 increased the maximum amount outstanding in respect of full-KYC prepaid payment instrument (PPIs) from ₹ 1 lakh to ₹ 2 lakh. The RBI has also permitted cash withdrawal (₹ 2000 per transaction and 10000 monthly transaction from Full-KYC PPIs of Non-Bank PPI Issuers).

RBI has increased the limit of cash withdrawal from Points of Sale (PoS) terminals using debit cards/prepaid cards (issued by banks) to ₹ 2000 per transaction and monthly of ₹ 10000.

It has also enhanced the limit of maximum balance at the end of the day maintained in Payment Bank from ₹ 1 lakh to ₹ 2 lakh per individual customer.

Tenure of Private Bank CEOs Capped at 15 Years

The Reserve Bank of India (RBI) on April 27, 2021 capped both the tenure and age limit for senior management including that of chairmen in all private banks.

While the cap for non-executive directors and chairman is set at 75 years, their tenure is fixed for 8 years. They can rejoin after 3 years, if found fit.

RBI Joined Network for Greening the Financial System

The RBI on April 23, 2021 joined the Central Bank and Supervisors 'Network for Greening the Financial System (NGFS) as a Member.

The NGFS was launched at the Paris One Planet Summit on December 12, 2017. NGFS is a network that is willing to share best practices and contribute to the development of environment and climate risk management in the financial sector.

Loan Limit Enhanced under Priority Sector Lending Against eNWR/NWR

The Reserve Bank of India (RBI) has enhanced the loan limit from ₹ 50 lakh to ₹ 75 lakh per borrower against the pledge/hypothecation of agricultural produce backed by NWRs/(e-NWRs) issued by warehouses registered and regulated by WDRA.

This has been done to encourage farm credit to individual farmers against pledge/hypothecation of agricultural produce and leverage the inherent safety of Negotiable Warehouse Receipts (NWRs)/electronic-NWRs issued by the warehouses registered and regulated by Warehousing Development and Regulatory Authority (WDRA).

The Priority, Sector loan limit backed by other Warehouse Receipts will continue to be ₹ 50 lakh per borrower.

WMA Limits Increased

The RBI on April 7, 2021 increased the limit for Way and Means Advances (WMA) for the State Governments/UTs from ₹ 32225 crore (fixed in 2016) to 47010 crore.

This increase is based on the recommendation of a committee headed by Sudhir Shrivastava and represents an increase of about 46%. The RBI has extended the enhanced interim WMA limit of ₹ 51560 crore for a further period of six months i.e., from 1st April, 2021 up to 30 September, 2021.

RBI to Release Financial Inclusion Index Annually

The RBI on April 7, 2021 announced that it will periodically publish a 'Financial Inclusion Index' (FI Index) annually. The FI Index will measure the extent of financial inclusion in the country.

The Financial Inclusion Index will be published annually in the month of July and it will cover the financial year ending on previous March month.

Legal Entity Identifier for NEFT, RTGs Transactions

The Reserve Bank of India (RBI) has introduced Legal Entity Identifier (LEI) for all payment

transactions of value ₹ 50 crore and above undertaken by entities (non-individuals) via Real Time Gross Settlement (RTGS) and NEFT.

The Legal Entity Identifier (LEI) is a **20-digit number used to uniquely identify parties to financial transactions** worldwide.

LEI can be obtained from Legal entity identifier India Ltd. (LEIL) which is wholly owned subsidiary of Clearing Corporation of India Ltd (CCIL).

Advisory Committee for Evaluating Banking Applications

The Reserve Bank of India (RBI) on March 22, 2021 set up a standing external advisory committee for three years, which will evaluate applications for universal banks and Small Finance Banks (SFBs).

The committee has five members with former Deputy Governor, Shyamala Gopinath as the Chairperson. According to guidelines, applications for universal banks and SFBs will first be evaluated by the RBI to ensure prima facie eligibility of the applicants, after which the newly formed committee will evaluate the applications.

PCA Restrictions on IDBI Bank Removed

The Reserve Bank of India (RBI) on March 10, 2021 removed IDBI Bank from its enhanced regulatory supervision or Prompt Corrective Action (PCA) framework.

The regulator had placed restrictions on the bank under the prompt corrective action framework in May 2017.

The bank had breached the thresholds for capital adequacy, asset quality (net NPAs was over 13% in March 2017), return on assets and the leverage ratio.

State Bank of Sikkim Comes under RBI Purview

The Reserve Bank of India (RBI) on February 22, 2021 brought **State Bank of Sikkim** under its regulatory purview. Now, the bank will be regulated by the RBI on a par with other banks, however the bank's ownership structure will not change.

The State Bank of Sikkim was established as an autonomous body wholly owned by Government of Sikkim, in the year 1968. Five years before Sikkim became Part of India in 1973.

Penalty on Standard Chartered Bank

The Reserve Bank of India (RBI) on January 21, 2021 imposed a monetary penalty of ₹ 2 crore on Standard Chartered Bank for delays in reporting of frauds.

The monetary penalty has been imposed on the bank for non-compliance with certain directions contained in the 'Reserve Bank of India (Frauds-Classification and Reporting by commercial banks and select FIs) Directions 2016'.

The penalty has been imposed for delays in reporting of frauds to RBI, revealed during the statutory inspection of the bank with reference to its financial position as on March 31, 2018 and March 31, 2019.

Domestic Systemically Important Banks List Released

The Reserve Bank of India (RBI) on January 18, 2021 retained State Bank of India, ICICI Bank and HDFC Bank as Domestic Systemically Important Banks (D-SIBs).

These banks are considered **too big to fail banks**, a phrase used for entities that are systemically important and a collapse of these will be disastrous, for the economy.

The updated list is based on the data collected from banks as on March 31, 2020.

Working Group to Regulate Digital Lending Through Loan Apps

The RBI on January 31, 2021, announced the setting up of a **Working Group** (WG) on digital, lending, including through online platforms and mobile apps.

The committee will be responsible for suggesting specific regulatory measures in the realm of digital lending, among other things.

All aspects of digital lending activities in the regulated financial sector as well as by unregulated players will be studied by the Working Group to form a proper regulatory approach.

Licence of Vasantdada Nagari Sahakari Bank Cancelled

The Reserve Bank of India (RBI) on January 11, 2021 cancelled the licence of **Maharashtra-based Vasantdada Nagari Sahakari Bank Ltd** with effect from the close of business.

Vasantdada Nagari Sahakari Bank Ltd. will now not be allowed to conduct the business of 'banking', including acceptance of deposits and repayment of deposits. The Bank has failed to comply with the requirements of Section 11(1) read with Section 56 of BR Act and thus would be unable to pay its present depositors in full in its current financial position.

CORPORATE SECTOR

IRCTC Launched India's First Indigenous Luxury Cruise Liner

The Indian Railway Catering and Tourism Corporation (IRCTC) on September 18, 2021 launched India's first indigenous cruise liner in collaboration with Cordelia Cruises.

This is another premium travel option available to the public through the railway PSU's tourism services.

The indigenous cruise, a luxury vacation option, will take passengers to some of the most popular Indian and worldwide tourist locations, including Goa, Diu, Kochi, the Lakshadweep Islands, and Sri Lanka.

Once the coronavirus pandemic has subsided and foreign cruises can resume normal operations, bookings can be made through the IRCTC web platform.

Kandla Became First Green SEZ

Kandla SEZ (KASEZ) was awarded IGBC Platinum Rating on July 26, 2021. KASEZ is the first green SEZ (Special Economic Zone) to achieve the IGBC Green Cities Platinum Rating for existing cities.

The rating has been awarded for 'green master planning, policy initiatives and implementation of green infrastructure by CII's Indian Green Building Council (IGBC).

Amazon Launched Its First Digital Kendra in India

e-Commerce company Amazon has launched its first Digital Kendra in India in Surat (Gujarat) on July 8, 2021.

Digital Kendras of Amazon are centres that will provide micro small and medium enterprises (MSMEs) the opportunity to learn about the benefits of e-commerce.

Kendra avail 3rd party services including training on benefits of ecommerce, GST and taxation support, shipping and logistics support, cataloging assistance and digital marketing services.

Three Enterprises Won Best Small Businesses Award

The United Nations on July 30, 2021 announced names of three India-based enterprises among the winners of 'Best Small Businesses' award.

From India, the winners are Edible Routes Private Limited, Oorja Development Solutions India and Taru Naturals. The enterprises are awarded for their contributions in developing inspiring, diverse, and impactful solutions.

HCL Became Fourth-Largest IT Company

HCL Technologies Ltd on August 5, 2021 overtook Cognizant Technologies Solutions Corp to become the fourth-most valuable India-centric information technology (IT) services company.

Its market capitalisation surpassed Cognizant.

Noida-headquartered HCL Technologies reported a 2.4% growth in the year ended 31 March, 2021, on the back of a 15% growth in 2020.

CoinDCX Became India's First Crypto Unicorn

Cryptocurrency exchange CoinDCX became India's first crypto unicorn with a valuation of \$1.1 billion, after closing \$ 90 million in a Series C funding round. The round was led by B Capital Group, founded by former Facebook co-founder Eduardo Saverin.

CoinDCX ranks among the top four crypto exchanges in India, the others being WazirX, Coin Switch Kuber and Zebpay.

India's First Social Impact Bond Created

Pimpri Chinchwad Municipal Corporation, Pune has signed an MoU with UNDP India to co-create India's first Social Impact Bond (SIB).

A Social Impact Bond, also called pay-for-success bond or pay-for-success financing or simply social bond, is basically a contract with public sector authority, where it pays for better social outcomes. This bond is a form of outcome-based contracting and aims at improving social outcomes for a specific group of citizens.

Adani Ports became 1st Indian Port Operators in Sri Lanka

Adani Ports and Special Economic Zone (APSEZ) will partner with John Keells Holdings PLC and Sri Lankan Port Authority to develop the West Container Terminal (WCT) at the Colombo port in Sri Lanka. As the first-ever Indian port operator in Sri Lanka, Adani Ports will hold 51% in the terminal partnership and WCT will be developed to reach a capacity of 3.5 million TEUs (Twenty-Foot Equivalent Units).

The WCT will be developed on a build, operate and transfer basis for a period of 35 years as a public-private partnership.

LIC among Top-10 Most-Valuable Insurance Brands

'Life Insurance Corporation (LIC)' has emerged as the 3rd strongest and the 10th most valuable insurance brand globally on April 30, 2021, in Brand Finance Insurance 100 report for 2021.

The annual report is released by London-based brand valuation consultancy firm Brand Finance. to identify the most valuable and strongest insurance brands globally. Chinese firm 'Ping an Insurance' emerged as the world's most valuable insurance brand.

India's First Green Bonds Issued

The Ghaziabad Municipal Corporation (GMC) on April 8, 2021 issued India's first Green municipal bond which was listed on the BSE bond platform.

The GMC has raised ₹150 crore at a cost of 8.1% through the issuance of green bonds.

The money will be used to clean up dirty water by setting up a tertiary water treatment plant to benefit industries in Ghaziabad and supply piped water through water-meters to places like Sahibabad.

ReNew Power in WEF's Global Lighthouse Network

Renewable energy firm ReNew Power has become a part of the World Economic Forum's Global Lighthouse Network on March 15, 2021.

World Economic Forum's (WEF) Global Lighthouse Network, which recognises companies using new technologies to achieve environmentally sustainable, community supportive, profitable growth.

ReNew Power is an Indian renewable energy company which has an asset base of over 8 GW, with around 5 GW operational.

Registration of SIFCL as Sub-broker Canceled

The Securities and Exchange Board of India (SEBI) on March 4, 2021 cancelled the certificate of registration of Sahara India. Financial Corporation Ltd. (SIFCL), as a sub-broker.

The decision has been taken by SEIM; due to failure of SIFCL' to fulfill the 'fit and proper' criteria, in terms of Intermediaries Regulations.

The regulator had appointed a designated authority in 2018 to enquire wheather Sahara India Financial violated provisions of Intermediaries Regulations.

Indian Oil Signed Pact with Greenstat Norway

State-owned Indian Oil Corporation Limited (IOCL) has signed a Statement of Intent with Greenstat Hydrogen India Pvt. Ltd., a subsidiary of Greenstat Norway, to set-up a Centre of Excellence on Hydrogen.

Under this association, a Center of Excellence on Hydrogen (CoE-H) including CCUS and Fuel Cells, would be developed for clean energy by India Oil and M/s Greenstat in cooperation with Indo-Norwegian Hydrogen Cluster companies/ organisations. CoE-H will be a vehicle for promoting R&D projects in Green and Blue Hydrogen between Norwegian and Indian R&D institutions/universities.

IFSCA Became Associate Member of IOSCO

The International Financial Services Centre, Authority (IFSCA) has become an Associate Member of the International Organisation of Securities Commissions (IOSCO) on January 1, 2021.

The membership of IOSCO would provide IFSCA the platform to exchange information at the global level and regional level on areas of common interests.

IFSCA is a unified authority for the development and regulation of financial products financial services and financial institutions in the International Financial Services Centre (IFSC) in India.

The IOSCO works closely with the G20 nations and the Financial Stability Board (FSB), in setting up the standards for strengthening the securities markets.

BANKING & INSURANCE SECTOR

HDFC Bank Partners with Paytm

The HDFC Bank and Paytm, on September 20, 2021, announced a plan to launch a range of credit cards powered by VISA.

The partnership aims to provide a range of offerings across customer segments, with special focus on millennials, business owners and merchants.

This is the first co-branded credit card launch by the country's largest private sector lender after the Reserve Bank of India (RBI) lifted a ban on the bank on new credit card launches in August, 2021.

LIC Launched New Mobile App 'PRAGATI'

The Life Insurance Corporation of India (LIC), launched a new mobile app 'PRAGATI' (Performance Review Application, Growth and Trend Indicator) for exclusive use of its development officers.

The app was launched by LIC chairperson MR Kumar on September 17, 2021 in the presence of managing directors, Mukesh Gupta, Raj Kumar, Siddhartha Mohanty and Mini Ipe and other senior officials of the corporation.

'PRAGATI' is a comprehensive mobile application which gives various information, which is updated in near real-time about the performance of their agency force in critical areas of business performance like Premium collection, agency activation, prospective MDRT / centurion agents etc.

Karnataka Bank Launched POS Device

The Karnataka Bank on September 8, 2021 launched an all-in-one Point-of-Sales (POS) swiping machine dubbed as 'WisePOSGo', for its merchant customers to process business payments.

WisePOSGo is a compact, lightweight and user-friendly device, designed keeping in view the specific cost-centric requirements of the bank's MSME customers.

Apart from processing payments, merchants can also make calls using the WisePOSGo swiping machine.

SBI Life Launched 'eShield Next'

The SBI Life Insurance on August 18, 2021 announced the launch of a unique new age protection solution 'SBI Life eShield Next' that 'levels up' the protection coverage.

It offers three plan options namely 'Level cover, Increasing cover and Level Cover with Future-Proofing benefit'.

The absolute amount assured stays constant throughout the policy term in the level cover option.

HDFC Bank Launched Green and Sustainable Deposits Programme

India's largest private sector bank, HDFC Bank has launched a green and sustainable deposits programme for retail clients on August 16, 2021.

The funds from these fixed deposits will be used for financing of green and sustainable housing credit solutions and services.

Interest Rates of this 6.55% for 3 to 10 years and Senior Citizens will get an additional interest rate of 0.25% per annum on their deposits of up to ₹ 2 crore.

NPCI Launched UPI-Help on BHIM App

The NPCI has launched a new application named 'UPI-Help' on BHIM UPI, which will act as a **grievance redressal mechanism for the users of the BHIM application.**

The UPI-Help will enable the users to check the status of the pending transactions, raise complaints against transactions that have not been processed, raise complaints against money that has not reached the beneficiary and raise complaints against merchant transactions.

SIDBI Launched SHWAS and AROG Loan Schemes

The SIDBI on April 23, 2021 launched two loan products 'SHWAS and AROG' for MSMEs, to help them with required financial support fight against the COVID-19 pandemic.

SHWAS is SIDBI assistance to Healthcare sector in War against Second wave of COVID-19 and AROG is SIDBI Assistance to MSMEs for Recovery & Organic Growth during COVID 19 pandemic.

These schemes will facilitate funding for production and services related to the supply of oxygen cylinders, oxygen concentrators, oximeters and essential drugs by MSMEs.

SEBI Allowed Payments Banks to Act as Investment Bankers

The SEBI on August 4, 2021 allowed payments banks to carry out the activities of investment bankers to provide easy access to investors to participate in public and rights issues by using various, payment avenues, markets regulator.

Non-scheduled payments banks, have prior approval from the Reserve Bank of India (RBI), will be eligible to act as a Banker To an Issue (BTI).

This is subject to fulfilment of the conditions stipulated in the BTI rules.

Paytm Launched Small Ticket Loan Product 'Postpaid Mini'

Financial services and digital payments platform Paytm has launched new product called Postpaid Mini on July 6, 2021. It will enable users to get small loans ranging from ₹ 250 to ₹ 1000.

The initiative, has been launched by Paytm in partnership with Aditya Birla Finance Ltd.

Unique Initiative by Banks

In order to promote financial inclusion and to provide maximum customers satisfaction, banks have launched many unique initiatives in past 6 months. Few of them are discussed below.

Digi Gold Airtel Payments Bank on May 17, 2021 launched the 'Digi Gold' initiative which is a digital

platform for making investments in gold by its customers.

Chatbot 'Eva' The Chatbot 'Eva' launched by HDFC Bank on May 12, 2021 in partnership with Common Services Centres (CSCs). It will educate and support the village level Entrepreneurs about the bank's products and services.

Pockets The ICICI Bank in collaboration with National Payment Corporation of India (NPCI) has launched a unique facility called Pockets. It allows linking a Unified Payment Interface (UPI) ID with its digital wallet.

IOB Trendy The Indian Overseas Bank (IOB) on March 24, 2021 launched a new saving account called IOB Trendy for the millennial population in the country.

Merchant Stack The ICICI Bank on April 22, 2021 launched a digital and contact less banking platform 'Merchant Stack' for retail merchants.. It targets over 2 crore retail merchants in the country.

IndusInd Bank Authorised to Act as an 'Agency Bank'

The IndusInd Bank has been empanelled by the RBI to act as an 'Agency Bank' on 3 August, 2021.

As an Agency Bank, IndusInd becomes eligible to carry out transactions related to all kinds of government led businesses. This decision is based on RBI guideline that authorises scheduled private sector banks as agency banks of the regulator for the conduct of government business.

SBI Selected Paisalo Digital as NCBC

The State Bank of India (SBI) on July, 22, 2021 selected Paisalo Digital as its National Corporate Business Correspondent (NCBC) to boost its financial inclusion drive with the help of kiosk-based banking services.

Paisalo Digital Limited is Systemically Important Non-Deposit taking NBFC registered with the Reserve Bank of India.

It was incorporated in the year 1992 as a Private Limited Company, and converted in a Public Limited Company in the year 1995.

Insurance Policy 'Women's Cancer Shield' Launched

Clovia (women's personal care brand) and Alliance Insurance on June 27, 2021 launched a tailor-made insurance policy, 'Women's cancer shield' for breast cancer female patients.

This project attempts to raise awareness regarding breast cancer, which accounts for 14% of cancers in Indian women.

The policy has a one-year term with a 90-day waiting period before it can be used. This coverage will be available for both minor and major stages of breast cancer.

LIC Launched Web Portal for Group Business

The Life Insurance Corporation (LIC) on June 23, 2021 launched a new centralised web-based work-flow-based IT platform, e-PGS, for its group business operations.

This portal allows its corporate customers to view their data, initiate actionable processes and lodge and track claims. It has been designed to provide a centralised collection and payment accounting with high level of bank integration.

SBI Partnered with Hyper Verge

The AI product startup, Hyper Verge has partnered with State Bank of India on May 21, 2021 with one of its flagship products the Video Banking solution. Aim of partnership to provide convenient digital banking services to the customers of SBI.

Under the partnership, SBI customers can instantly open savings account using video Banking process, during the pandemic, with minimal ID documents.

SBI MF Crossed ₹ 5 Lakh Crore Average AUM Mark

SBI Funds Management Pvt. Ltd has become the first mutual fund house in India to cross the ₹ 5 lakh crore Average Assets Under Management (AUM) mark.

SBI MF has seen a growth of 35% during the financial year 2020-21, with its average AUM increasing from ₹3.73 lakh crore to ₹ 5.04 lakh crore. It is a joint venture between India's largest lender, State Bank of India and Europe's largest asset manager, Amundi.

FSS Partners IPPB to Promote Financial Inclusion

The India Post Payments Bank (IPPB) has partnered with Financial Software and Systems (FSS), to promote financial inclusion among underserved and unbanked segments.

Under the collaboration, IPPB will use FSS' Aadhaar Enabled Payment System (ASPS) to provide interoperable and affordable doorstep banking services to customers across India.

Paypal to Shut Domestic Payments Service in India

The California-based global digital payment platform PayPal has announced that the company has decided to wind down its domestic payment services in India with effect from 1 April, 2021.

The decision has been taken because the company wants to shift its focus on cross-border payments business.

PayPal was a payments options on many Indian online apps such as travel and ticketing service Make My Trip, online film booking app Book My Show, and food delivery app Swiggy.

PNB Sets up 'PNB Cards & Services Ltd'

State-run Punjab National Bank (PNB) has set up a wholly-owned subsidiary namely 'PNB Cards & Services Ltd.' **to manage its credit card business.**

The PNB Cards & Services Ltd. has been incorporated on March 16, 2021, by the Registrar of Companies, Delhi. The new subsidiary will undertake the non-financial support services related to credit card business of the bank.

HDFC Bank Launched ‘SmartUp Unnati’ Programme

India’s largest private sector lender HDFC Bank on March 8, 2021 launched a dedicated mentoring programme ‘SmartUp Unnati’, **to support women entrepreneurs.**

Under this SmartUp Unnati programme, senior women leaders from HDFC Bank having expertise in various domains will mentor women entrepreneurs, over the next one year, to help them achieve their goals.

The programme is however available only to existing customers and will initially target more than 3000 women entrepreneurs associated with the bank’s SmartUp programme.

HSBC Inaugurated International Banking Unit in Gujarat

The Hong Kong and Shanghai Banking Corporation (HSBC) on January 26, 2021 inaugurated its International Banking Unit (IBU) branch at Gujarat International Finance Tec-City (GIFT City) near Gandhinagar, Gujarat.

The HSBC is the first bank to get a licence from the newly set-up **International Financial Services Centres Authority (IFSCA).**

The HSBC operates in all of the leading international financial service hubs in the world, and looks forward to the development of GIFT City as a globally competitive international financial centre.

Shivalik Bank became Small Finance Bank

Uttar Pradesh-based Shivalik Mercantile Cooperative Bank (SMCB) has become the first Urban Cooperative Bank (UCB) in India to receive licence from the RBI to operate as a Small Finance Bank (SFB).

The SMCB will begin its banking operations from April 2021 onwards under the name Shivalik Small Finance Bank (SSFB).

The SSFB currently operates in Uttar Pradesh, Madhya Pradesh, Delhi and Uttarakhand with 400000 customers through its 31 branches and over 250 banking agents.

AGREEMENTS/PACTS/DEALS

TRIFED Signed MoU with Big Basket

The Tribal Cooperative Marketing Development Federation of India Limited (TRIFED) and e-grocery platform Big Basket, on September 20, 2021, entered into a Memorandum of Understanding (MoU) for the promotion and sale of natural Van Dhan products being made available to Big Basket from Van Dhan production units.

With this, Big Basket will be able to enrich its portfolio through the of hand-made authentic forest products sourced by the tribal population.

This strategic collaboration will help Van Dhan tribal beneficiaries in remote areas to overcome challenges restricting their access to domestic and international markets.

Pact between Kotak Mahindra Bank and Indian Navy

Kotak Mahindra Bank (KMBL) and the Indian Navy announced that they have signed a MoU for Salary Account.

The MoU enables KMBL to offer its Salary Account proposition to all personnel of the Indian Navy - both serving and retired. The KMBL will also offer special Salary Account benefits to the Indian Navy.

Agreement between Bharti Airtel and Tata Group

Leading telecom firm Bharti Airtel has entered into a strategic partnership with the steel-to-

software conglomerate Tata Group for 5G network solutions on June 24, 2021. The 5G network solutions will initially be launched in India from January 2022 and subsequently be available for exports.

For this, Tata Group has developed 0-RAN (open-radio access network)-based radio and non-stand-alone architecture / stand-alone architecture (NSA/SA) core. Tata Consultancy Services (TCS) will act as a system integrator for Bharti Airtel under the project.

Agreement with World Bank for STARS Programme

The Government of India and the World Bank signed a \$ 500 million Strengthening Teaching- Learning and results for States Programme (STARS) to improve the quality and governance of school education in six Indian states.

These include Himachal Pradesh, Kerala, Madhya Pradesh, Maharashtra, Odisha, and Rajasthan.

The STARS programme builds on the long partnership between India and the World Bank (since 1994), for strengthening public school education and to support the country's goal of providing 'Education for All'.

BBPS Business Transferred to NBBL

The National Payments Corporation of India (NPCI) has transferred all its Bharat Bill Payment System

(BBPS), transaction business to NPCI Bharat Bill Payment Limited (NBPL). All licensed bill processors on the Bharat Bill Payment Operating Units (BBPOU) have been directed to start accounting their billing transactions under NBBL from 1 April, 2021.

NBBL is a wholly-owned subsidiary of NPCI and aims to scale growth of the inter-operable bill platform by giving it increased autonomy in operation.

India and AIIB Signs Pact for Power Transmission in Assam

The government of India and the Asian Infrastructure Investment Bank (AIIB) on February 23, 2021 signed a \$ 304 **million loan agreement for the Assam Intra-State Transmission System Enhancement Project**.

The project aims to improve reliability, capacity and security of the power transmission network in the Northeastern state of Assam.

It includes constructing 10 transmission substations and laying transmission lines with the associated infrastructure, upgrade 15 existing substations, and transmission lines and existing ground wire to optical power ground wire and provide technical assistance to support project implementation.

MERGER AND ACQUISITION

Equitas Small Finance Bank to Merge its Promoter

Equitas Small Finance Bank (SFB) has got the approval of RBI on 22 July, 2021 to merge its promoter is Holdings with itself.

It is notable that as per the SFB licensing guidelines of RBI, a promoter of SFB can exit or cease to be a promoter after the mandatory initial lock-in) Period of five years (initial promoter lock-in).

In the case of Equitas Small Finance Bank, the said initial promoter lock-in period expires on 4 September, 2021.

Merger of CRWC with CWC

The Union Cabinet approved on June 23, 2021 merger of Central Railside Warehouse Company Limited (CRWC) with Central Warehousing Corporation (CWC).

CWC is a Mini-Ratna Category-I CPSE and it is a statutory body which was established under 'The Warehousing Corporations Act, 1962.

According to the Union Government, the move will promote the ease of doing business and bringing private sector efficiencies in Public Sector Undertaking (PSU).

Acquisition of Zuarinagar Plant

The Competition Commission of India (CCI) on June 25, 2021 approved acquisition of the Zuarinagar plant of Zuari Agro Chemicals Limited by Paradeep Phosphates Limited. The proposed combination envisages acquisition of Zuarinagar, Goa plant of Zuari Agro Chemicals Limited (ZACL) by Paradeep Phosphates Limited (PPL).

As a result of the acquisition, PPL shall acquire business of developing and manufacturing urea and non-urea fertiliser products presently being carried out by ZACL at the Zuarinagar, Goa Plant.

NSE Becomes Co-promoter in IGX

The National Stock Exchange (NSE) has acquired a 26% equity stake in the Indian Gas Exchange (IGX), through its wholly owned subsidiary NSE Investments. With this, NSE has become a co-promoter and the second largest shareholder on the IGX gas-trading platform. The Indian Energy Exchange (IEX), which set up the IGX natural gas trading hub, has 54% shareholding in IGX.

Important Mergers and Acquisitions in 2021

First Company	Company Merged/ Acquired Company	When
Sony Pictures Networks India	Zee Entertainment Enterprises Limited	September 2021
Adani Ports and SEZ Limited (APSEZ)	Gangavaram Port Limited (GPL)	August 2021
Advent International	Eureka Forbes	September 2021
Byju's	Gradeup	September 2021
Byju's	Whodat	August 2021
Byju's	Epic	July 2021
Byju's	Toppr	July 2021
Byju's	Great Learning	July 2021
Byju's	HashLearn	May 2021
Byju's	Aakash Educational Services Limited (AESL)	April 2021
Bharat Petroleum Corporation Limited (BPCL)	Bharat Gas Resources Limited (BGRL)	March 2021
Adani Airports Holdings Limited (AAHL)	Mumbai International Airport Limited (MIAL)	February 2021
Byju's	Scholr	February 2021

National Index & Ranking

Name	Top Performer	Description
NIRF India Rankings 2021 (September 9, 2021)	IIT-Madras (Overall Ranking) IISc, Bangaluru (University Ranking) Miranda House, Delhi (College Ranking)	It is released by Ministry of Education under National Institutional Ranking Framework (NIRF), which outlines a methodology to rank institutions across the country.
NER District SDG Index 2021-22 (August 26, 2021)	1. East Sikkim 2. Gomati, North Tripura 3. West Tripura	The Index is released by the NITI Aayog and Ministry of Development of North Eastern Region. It is based on NITI Aayog's SDG India Index.
NewsOnAIR Radio Live Stream Rankings (11 June, 2021)	1. Vividh Bharati National 2. News 24 × 7 3. AIR Malayalam	It was released by Prasar Bharati Audience Research . It ranked All India Radio Live Streams on the basis of large number of listeners.

Name	Top Performer	Description
Anemia Mukht Bharat Index 2020-21 (6 June, 2021)	1. Madhya Pradesh 2. Odisha 3. Himachal Pradesh	The Index is released under the 'Anemia Mukht Bharat' programme, which was launched by the Ministry of Health & Family Welfare and UNICEF to reduce the prevalence of anemia in all over India.
SDG India Index 2020-21 (3 June, 2021)	1. Kerala 2. Himachal Pradesh 3. Tamil Nadu	The NITI Aayog has been releasing this index since the year 2018. The index has been comprehensively documenting and ranking the progress made by States and Union Territories towards achieving the SDGs.
Forbes India's 10 richest billionaires 2021 (7 April, 2021)	1. Mukesh Ambani 2. Gautam Adani 3. Shiv Nadar	According to Forbes , the number of billionaires increased to 140 from 102 last year and their collective wealth double to \$ 596 billion during the last year.
NCAER Land Record and Services Index (N-LRSI) 2021 (4 March, 2021)	1. Madhya Pradesh 2. West Bengal 3. Odisha	It is prepared by National Council of Applied Economic Research (NCAER) which provides a measure of the digitisation and quality of land records and services based on a number of parameters for the states and Union Territories of the country.
GROHE Hurun Real Estate Rich List 2020 (23 March, 2021)	1. Mangal Prabhat Lodha & family 2. Rajiv Singh 3. Chandru Raheja & family	The list ranks the most successful real estate entrepreneurs, inheritors in India, based on net worth proportionate to their ownership in their respective real estate businesses.
Ease of Living Index (EoLI) 2020 (4 March, 2021)	Million + Category – Bengaluru Less than Million Category –Shimla	It is an assessment tool that evaluates the quality of life and the impact of various initiatives for urban development.
Municipal Performance Index (MPI) 2020 (4 March, 2021)	Million + category Indore Less than Million category – New Delhi Municipal Council	It seeks to examine local government practices in municipalities across areas of services, finance, policy, technology and governance.
India Justice Report 2020 (January, 2021)	Best Large and Medium State Maharashtra Best Small State Tripura	The report was prepared by the Tata Trusts . The report assesses the capacity of various states to deliver justice.
India Innovation Index (January 2021)	Major States Karnataka UT and City States Delhi North-Eastern/Hill States Himachal Pradesh	The NITI Aayog released the second edition of the India Innovation Index which examines the innovation capabilities and performance of the States and Union Territories, its ranking is based on five enabler parameters and two performance parameters.

International Index & Ranking

Name	Top 3	India's Performance	Description
Global Innovation Index 2021 (Sept. 20, 2021)	1. Switzerland 2. Sweden 3. The USA	46th	The index is published by WIPO , in partnership with the Portulans Institute, The Brazilian National Confederation of Industry (CNI), Confederation of Indian Industry (CII), Ecopetro (Colombia) and the Turkish Exporters Assembly (TIN).
THE World University Rankings 2022 (Sept. 4, 2021)	1. Oxford University 2. California Institute of Technology 3. Harvard University	Indian Institute of Science (301-350)	The rankings is released by the Times Higher Education (THE) , which include more than 1600 universities across 99 countries and territories.

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Name	Top 3	India's Performance	Description
Global Top-20 Dairy Companies List 2021 (Sept. 1, 2021)	1. Lactalis (France) 2. Nestle (Switzerland) 3. DFA (USA)	Amul (18th)	The list is released by the Dutch multinational banking and financial services company Rabobank . It has been recognised as one of the most authoritative ranking of the dairy industry.
Global Youth Development Index 2021 (August 10, 2021)	1. Singapore 2. Slovenia 3. Norway	122nd	The index is released the Commonwealth Secretariat in London. It measures the condition of youth people across 181 countries.
Safe Cities Index 2021 (August 28, 2021)	1. Copenhagen (Denmark) 2. Toronto (Canada) 3. Singapore (Singapore)	New Delhi (48th)	The index is released by the Economist Intelligence Unit (EIU) . It ranked 60 cities across 76 indicators including digital, health, infrastructure, personal and environmental security.
Global Manufacturing Riks Index 2021 (August 26, 2021)	1. China 2. India 3. The USA	2nd	The index is released by global commercial real estate services firm Cushman & Wakefield plc . It assesses the most advantageous locations for global manufacturing among 37 countries in Europe, the Americas and Asia-Pacific (APAC).
Henley Passport Index 2021 (July, 2021)	1. Japan 2. Singapore, South Korea 3. Germany	90th	The index is the basic ranking of all passports in the world, released by global citizenship and residency advisory firm Henley & Partners .
Global Cybersecurity Index 2020 (June 30, 2021)	1. USA 2. UK and Saudi Arabia 3. Estonia	10th	This index is released by International Telecommunication Union (ITU) annually. It measures countries' commitment cyber on security at a global level.
QS Executive MBA Rankings 2021 (June 25, 2021)	1. HEC, Paris 2. Penn (Wharton) 3. IESE Business School	Indian Institute of Management Bangalore (39th)	Quacquarelli Symonds (QS) releases this ranking annually. It provides a comprehensive overview of the leading providers of executive education.
Cost of Living City Rankings 2021 (June 22, 2021)	1. Ashgabat (Turkmenistan) 2. Hong Kong 3. Beirut (Lebanon)	Mumbai (78th)	American assess management firm Mercer releases this ranking annually. It reveals the most and least affordable locations for international employees worldwide.
Global Peace Index 2021 (June 17, 2021)	1. Iceland 2. New Zealand 3. Denmark	135th	The index is produced by the Institute for Economics and Peace (IEP) . This is the 15th edition of the GPI, which ranks 163 independent states and territories according to their level of peacefulness.
World Competitiveness Index 2021 (June 17, 2021)	1. Switzerland 2. Sweden 3. Denmark	43rd	It is compiled by the Institute for Management Development (IMD) . It ranks 64 economies and assesses the extent to which a country promotes the prosperity of its people by measuring economic well-being through hard data and survey responses from executives.

Name	Top 3	India's Performance	Description
World Giving Index 2021 (June 18, 2021)	1. Indonesia 2. Kenya 3. Nigeria	14th	The index is released by Charities Aid Foundation (CAF) . It ranks countries in the world according to how charitable they are.
SDG Index 2021 (June 14, 2021)	1. Finland 2. Sweden 3. Denmark	120th	The SDG Index is released by UN Sustainable Development Solutions Network (SDSN) . It is an assessment of each country's overall performance on the 17 SDGs, giving equal weight to each Goal.
QS World University Rankings 2022 (June 9, 2021)	1. MIT (USA) 2. University of Oxford (UK) 3. Stanford University (USA)	IIT-Bombay (177th)	It is published by Quacquarelli Symonds (QS) . Featuring 1300 universities from around the world, this year's university rankings are largest ever.
Energy Transition Index 2021 (April 22, 2021)	1. Sweden 2. Norway 3. Denmark	87th	This index is released by World Economic Forum (WEF) . The index measured 115 countries on the current performances of their energy systems across three dimensions—Environmental sustainability, Economic development and Growth.
THE Impact Ranking 2021 (April 21, 2021)	1. University of Manchester 2. University of Sydney 3. RMIT University	Amrita Vishwa Vidyapeetham (81st)	This ranking is released by Times Higher Education (THE) . It is the only global performance tables that assess universities against the United Nations' Sustainable Development Goals (SDGs). The 2021 rankings is the third edition and the overall ranking includes 1117 universities from 94 countries/regions.
World Press Freedom Index 2021 (April 20, 2021)	1. Norway 2. Finland 3. Sweden	142nd	Reporters Without Borders (RSF) releases this index annually. The index ranks 180 countries and regions according to the level of freedom available to journalists.
Inclusive Internet Index 2021 (April 19, 2021)	1. Sweden 2. USA 3. Spain	49th	The index is operated by Economist Intelligence Unit (EIU) and Facebook . It seeks to measure the extent to which the internet is not only accessible and affordable, but also relevant to all, allowing usage that enables positive social and economic outcomes at the individual and group level.
Global Gender Gap Report 2021 (March 30, 2021)	1. Iceland 2. Finland 3. Norway	140th	The Global Gender Gap Report was first published in 2006 by the World Economic Forum . The 2020 report covers 156 countries. The Global Gender Gap Index is an index designed to measure gender equality.
Military Strength Index (March 24, 2021)	1. China 2. USA 3. Russia	4th	Defence website Military Direct has released the ultimate military strength index. The index score was calculated after taking into consideration various factors including budgets, number of inactive and active military personnel, total air, sea, land and nuclear resources, average salaries etc.

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Name	Top 3	India's Performance	Description
International Intellectual Property Index 2021 (March 23, 2021)	1. USA 2. Japan 3. Europe	40th	The annual Index, released by the US Chamber of Commerce Global Innovation Policy Centre (GIPC) , evaluates the Intellectual Property rights in 53 global economies from patent and copyright policies to commercialisation of IP assets and ratification of international treaties.
World Happiness Report (March 20, 2021)	1. Finland 2. Iceland 3. Denmark	139th	United Nations Sustainable Development Solutions Network (SDSN) released the World Happiness Report 2021 which is a landmark survey of the state of global happiness that ranks countries by how happy their citizens perceive themselves to be.
Global Home Price Index Q4 2020 (March 18, 2021)	1. Turkey 2. New Zealand 3. Slovakia	56th	Property consultant Knight Frank released the 'Global House Price Index that tracks the movement in the mainstream residential prices across 56 countries or territories using official data.
Economic Freedom Index 2021 (March 8, 2021)	1. Singapore 2. New Zealand 3. Australia	121st	The Heritage Foundation's Index of Economic Freedom is an annual guide published to measure the progress made in advancing economic freedom which it claims brings greater prosperity.
Hurun Global Rich List 2021 (March 2, 2021)	1. Elon Musk 2. Jeff Bezos 3. Bernard Arnault	Mukesh Ambani (8th)	Hurun released the Hurun Global Rich List 2021, a ranking of the world's dollar billionaires which ranked 3228 billionaires from 2402 companies and 68 countries.
Asia-Pacific Personalised Health Index (Feb. 2021)	1. Singapore 2. Taiwan 3. Japan	10th	The index released by the EIU ; aims to measure the progress of each of the 11 countries towards adopting personalised healthcare, enabling the right care to be made available to the right person at the right time.
Democracy Index 2020 (Feb. 2, 2021)	1. Norway, 2. Iceland 3. Sweden	53rd	The EIU has released the Democracy Index 2020 that provides a snapshot of the current state of democracy of 167 countries. India has been classified as a 'flawed democracy'.
Corruption Perception Index 2020 (January, 2021)	1. New Zealand and Denmark 2. Finland 3. Singapore	86th	Transparency International released the Corruption Perception Index (CPI) 2020 which ranks countries by their perceived levels of public sector corruption, as determined by expert assessments and opinion surveys.
Coronavirus Performance Index (January, 2021)	1. New Zealand 2. Vietnam 3. Taiwan	86th	The Index was compiled by the Sydney-based Lowy Institute , an Australian think tank, which sought to measure the response of countries to the Pandemic.
Global Climate Risk Index 2021 (January, 2021)	1. Mozambique 2. Zimbabwe 3. Bahamas	7th	The Bonn-based environmental think tank ' Germanwatch ' has released the 16th edition of Global Climate Risk Index 2021 which analyses and ranks to what extent countries and regions have been affected by impacts of climate related extreme weather events.
Hurun Global 500 Ranking 2020 (January, 2021)	1. Apple 2. Microsoft 3. Amazon	Reliance Industries (54th)	The Hurun Research Institute released the 2020 Hurun Global 500, a list of the 500 most valuable non-state-controlled companies in the world.

National Personalities (Appointment, Person Died, Person in News)

Name	Designation	Predecessor
VR Chaudhari (Sept. 21, 2021)	Chief of Air Staff, IAF	RKS Bhadauria
Charanjit Singh Channi (Sept. 20, 2021)	Chief Minister, Punjab	Amarinder Singh
Bhupendra Patel (Sept. 13, 2021)	Chief Minister, Gujarat	Vijay Rupani
Gurmit Singh (Sept. 15, 2021)	Governor, Uttarakhand	Baby Rani Maurya
Alka Nangia Arora (Sept. 14, 2021)	CMD, National Small Industries Corporation (NSIC)	
Sanjeev Barnwal (Sept. 11, 2021)	CEO, Ujjvaivan Financial Services	Carol Furtado
Iqbal Singh Lalpura (Sept. 10, 2021)	Chairperson, National Commission for Minorities (NCM)	Syed Ghayosul Hasan Rizvi
Banwarilal Purohit (Sept. 9, 2021)	Governor, Punjab	VP Singh Badnore
RN Ravi (Sept. 9, 2021)	Governor, Tamil Nadu	Banwarilal Purohit
Harsha Bangari (Sept. 8, 2021)	MD, India EXIM Bank	David Rasquinha
Yogesh Kumar Mishra (Sept. 4, 2021)	CMD, IRCON International Limited	Mukesh Kumar Singh
T. Saminathan (Sept. 4, 2021)	CMD, KIOCL Limited	Vijayendra
Nirlep Singh Rai (Sept. 4, 2021)	CMD, National Fertilizers Limited (NFL)	VN Datt
SL Tripathi (Sept. 4, 2021)	CMD, UIICL	Girish Radhakrishnan
Arun Kumar Singh (Sept. 7, 2021)	CMD, BPCL	K. Padmakar
PPK Ramacharyulu (Sept. 4, 2021)	Secretary General, Rajya Sabha	Desh Dipak Verma
Vartika Shukla (Sept. 1, 2021)	CMD, Engineers India Limited	RK Sabharwal
JB Mohapatra (August 31, 2021)	Chairman, CBDT	PC Mody
B. Venkataraman (August 31, 2021)	Director, IGCAR	Arun Kumar Bhaduri
Atul Bhatt (August 31, 2021)	CMD, RINL	PK Rath
Nakul Chopra (August 25, 2021)	CEO, BARC	Sunil Lulla
La Ganeshan (August 22, 2021)	Governor, Manipur	Najma Heptullah
V. Raja Babu (August 20, 2021)	Director, RCI	BHVS Narayana Murthy
Noopur Chaturvedi (August 13, 2021)	CEO, NBBL	
Mini Ipe (August 5, 2021)	MD, LIC	
Dhriti Banerjee	Director, ZSI	
Deepak Das (August, 2021)	Controller General of Accounts (CGA)	Soma Roy Burman
Basavaraj Bommai (July 28, 2021)	Chief Minister, Karnataka	BS Yediyurappa
Tankeshwar Kumar (July 23, 2021)	Vice Chancellor, Central University of Haryana	RC Kuhad
Sat Prakash Bansal (July 23, 2021)	Vice Chancellor, Central University of Himachal Pradesh	Roshan Lal Sharma
Dr. Sanjeev Jain (July 23, 2021)	Vice Chancellor, Central University of Jammu	Ashok Aima
Kshiti Bhushan Das (July 23, 2021)	Vice Chancellor, Central University of Jharkhand	RK Dey
B. Satyanarayana (July 23, 2021)	Vice Chancellor, Central University of Karnataka	HM Maheshwaraiah

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Name	Designation	Predecessor
Muthuklingan Krishnan (July 23, 2021)	Vice Chancellor, Central University of Tamil Nadu	RK Kumaravel
Dr. BJ Rao (July 23, 2021)	Vice Chancellor, University of Hyderabad	Appa Rao Podile
Kameswar Nath Singh (July 23, 2021)	Vice Chancellor, Central University of South Bihar	HCM Rathore
Prabha Shankar Shukla (July 23, 2021)	Vice Chancellor, North-Eastern Hill University	SK Srivastava
Syed Ainul Hasan (July 23, 2021)	Vice Chancellor, Maulana Azad National Urdu University	SM Rahamatullah
C. Vijaya Kumar (July 20, 2021)	MD, HCL Technologies	Shiv Nadar
Mukhtar Abbas Naqvi (July 19, 2021)	Deputy Leader, Rajya Sabha	Piyush Goyal
Piyush Goyal (July 14, 2021)	Leader of the House, Rajya Sabha	Thaawarchand Gehlot
Pushkar Singh Dhami (July 4, 2021)	Chief Minister, Uttarakhand	Teerath Singh Rawat
Satish Agnihotri (July 1, 2021)	MD, National High Speed Rail Corporation Limited (NHSRCL)	Achal Khare
Suresh N. Patel (June 28, 2021)	Central Vigilance Commissioner	Sanjay Kothari
Meenesh Shah (June 26, 2021)	Chairman, National Dairy Development Board (NDDB)	Varsha Joshi
Sanjay Gupta (June 25, 2021)	Chairman, Internet and Mobile Association of India (IAMAI)	Amit Agrawal
Anup Chandra Pandey (June 9, 2021)	Election Commissioner (EC)	Sunil Arora
Arun Kumar Mishra (June 3, 2021)	Chairperson, National Human Rights Commission (NHRC)	HL Dattu
Ravneet Singh (June 1, 2021)	Deputy Chief of the Naval Staff	MS Pawar
Pradeep Chandran Nair (June 1, 2021)	Director General, Assam Rifles	Sukhdeep Sangwan
Kuldeep Singh (May 31, 2021)	Director General, National Investigation Agency (NIA)	YC Mody
TV Narendran (May 31, 2021)	President, Confederation of Indian Industry (CII)	Uday Kotak
Rajesh Bansal (May 24, 2021)	CEO, Reserve Bank Innovation Hub (RBIH)	S. Gopalakrishnan
Sanjay Banga (May 11, 2021)	CMD, CCI	BVN Prasad
Arun Kumar Singh (May 10, 2021)	CMD, Bharat Petroleum Corporation Limited	K. Padmakar
Ujjwala Singhania (May 4, 2021)	National President, FICCI FLO	Jahanabi Phookan
Arun Raste (April 26, 2021)	MD & CEO, NCDEX	Vijay Kumar
Amit Banerjee (April 22, 2021)	CMD, Bharat Earth Movers Limited (BEML)	MV Rajshekhar
Siddharth Singh Longjam (April 13, 2021)	Director-General, National Anti-Doping Agency (NADA)	Navin Agarwal
NV Ramana (April 6, 2021)	Chief Justice, Supreme Court of India	Sharad Arvind Bobde
Dr. Chintan Vaishnav (April 5, 2021)	Mission Director, Atal Innovation Mission (AIM)	Ramanathan Ramanan
Sushil Chandra (April 13, 2021)	Chief Election Commissioner (CEC)	Sunil Arora
Saurabh Garg (March 25, 2021)	CEO, UIDAI	Pankaj Kumar

Name	Designation	Predecessor
Deepak Mishra (March 15, 2021)	Director and Chief Executive, ICRIER	Rajat Kathuria
Dr. GP Samanta (March 10, 2021)	Chief Statistician of India (CSI)	Kshatrapati Shivaji
Nihar N Jambusaria (Feb. 13, 2021)	Chairman, Institute of Chartered Accountants of India (ICAI)	Atul Kumar Gupta
Suneet Sharma (January 1, 2021)	Chairman and CEO, Railway Board	VK Yadav

Person Died

Person	Description
Mahant Narendra Giri (Sept. 20, 2021)	President of the Akhil Bharatiya Akhara Parishad (ABAP)
Manorama Mohapatra (Sept. 18, 2021)	Eminent litteratur, social activist and former Editor of Odiya Daily 'The Samaja'
Thanu Padmavabhan (Sept. 17, 2021)	Eminent theoretical physicist and cosmologist
Oscar Fernandes (Sept. 13, 2021)	Former Union Minister and member of Rajya Sabha
Sidharth Shukla (September 2, 2021)	Noted TV and Bollywood actor
Chandan Mitra (September 1, 2021)	Journalist and former Rajya Sabha member
Syed Ali Shah Geelani (Sept. 1, 2021)	Kashmir separatist leader
Rajni Kaul (August 31, 2021)	Distinguished broadcaster; First woman to read a news bulletin in Hindi on BBC
Vasudev Paranjpe (August 30, 2021)	Eminent cricket coach
Balaji Tambe (August 10, 2021)	A well known spiritual leader, an Ayurveda doctor and proponent of yoga
Kalyan Singh (August 21, 2021)	Former Chief Minister of Uttar Pradesh
Maan Kaur (July 31, 2021)	Senior athlete of Punjab; died at the age of 105 years
Nandu Natekar (July 28, 2021)	Legendary Badminton Player
Jayanthi (July 26, 2021)	Eminent Multilingual Kannada Film Actress
Satish Kalsekar (July 23, 2021)	Eminent Marathi Poet; Honoured with Sahitya Akademi Puraskar (2014)
Sikkil R. Bhaskaran (July 20, 2021)	Famous Carnatic Classical Violinist
Danish Siddiqui (July 16, 2021)	Pulitzer-winning Photo-journalist; Died while covering a clash between Afghan security forces and Taliban fighters in Kandahar (Afghanistan)
Gautam Benegal (July 16, 2021)	Renowned Filmmaker, Writer, Cartoonist and Artist; Winner of National Award for Best Animation Film in 2010
Surekha Sikri (July 16, 2021)	Three times National Award-winning veteran actress
Yashpal Sharma (July 13, 2021)	Former Cricket player; Member of World Cup 83 winning team
PK Warriar (July 10, 2021)	Eminent Ayurvedic Physician and Managing Trustee of Kottakkal Aryan Vaidya Sala (AVS)
Virbhadra Singh (July 8, 2021)	Former Chief Minister of Himachal Pradesh; Senior Congress leader
Kumar Ramsay (July 8, 2021)	Screenwriter-Filmmaker; Eldest of seven 'Ramsay Brothers', famous for horror films
Dilip Kumar (July 7, 2021)	Legendary actor; Popularly known as the Tragedy King of Bollywood
KV Sampat Kumar (June 30, 2021)	Editor of Country's and World's only Sanskrit daily newspaper 'Sudharma'

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Person	Description
Dr. Guruprasad Mohapatra (June 19, 2021)	DPIIT Secretary ; Died of COVID-19 related complications
Milkha Singh (June 18, 2021)	Legendary athlete; Known as 'The Flying Sikh'
Nirmal Kaur (June 13, 2021)	Former National Volleyball Captain; Wife of Milkha Singh
Sanchari Vijay (June 12, 2021)	National Film Award Winner Kannada actor
Swami Shivamayanand (June 11, 2021)	Vice-President of Ramakrishna Math and Mission
Dr. Siddalingaiah (June 11, 2021)	Noted Kannada Dalit poet; known for his hard-hitting poetry
Ashok Panagariya (June 11, 2021)	Internationally acclaimed neurologist and recipient of Padma Shri
Buddhadeb Dasgupta (June 10, 2021)	Legendary Bengali filmmaker and renowned poet
Dingko Singh (June 10, 2021)	Asian Games 1998 gold medallist boxer; Honoured with Padma Shri (2013)
HS Doreswamy (May 26, 2021)	Former School teacher, freedom fighter and activist
Srikumar Banerjee (May 23, 2021)	Renowned engineer; former Chairman of Atomic Energy Commission
Sundar Lal Bahuguna (May 21, 2021)	Veteran environmentalist and architect of the Chipko Movement
Vijay Patil (May 21, 2021)	Popular music composer; Known as Laxman of the music composer duo Raam-Laxman
Pt. Rewa Prasad Dwivedi (May 20, 2021)	Noted Sanskrit scholar, poet, writer, teacher and critic
Tarannum Riyaz (May 20, 2021)	Noted Urdu poet, critic and author
Jagannath Pahadia (May 19, 2021)	Former Chief Minister of Rajasthan
MS Narasimhan (May 16, 2021)	Noted mathematician and Professor
Ravindra Pal Singh and MK Kaushik (May 8, 2021)	Former hockey players; Members of 1980 Moscow Olympics winning team
Ajit Singh (May 6, 2021)	Former Union Minister and Chief of Rashtriya Lok Dal (RLD)
Chaman Lal Gupta (May 18, 2021)	Former Union Minister and BJP leader
Ki. Rajanarayanan (May 18, 2021)	Famous Tamil author and novelist
KK Agarwal (May 17, 2021)	Renowned Cardiologist and former national President of IMA
Jagdish Khattar (April 26, 2021)	Former MD of Maruti Suzuki India
Dadudan Gadhvi (April 26, 2021)	Renowned Gujarati poet and folk singer
Krishnamurthy Santhanam (April 26, 2021)	Veteran nuclear scientist
Rajan Mishra (April 25, 2021)	Classical music artiste; Honoured with Padma Shri
Shravan Rathod (April 22, 2021)	Music composer; One half of music composer duo Nadeem-Shravan
Wahiduddin Khan (April 21, 2021)	Islamic Scholar and peace activist
M. Narasimham (April 20, 2021)	Former Governor of the RBI
Sumitra Bhav (April 19, 2021)	National Film award winner Marathi filmmaker
Bhumidhar Barman (April 18, 2021)	Former Chief Minister of Assam and Senior Congress leader
Vivek (April 17, 2021)	Popular Tamil actor and comedian
Narendra Kohli (April 17, 2021)	Eminent Hindi writer and litterateur
Ranjit Sinha (April 16, 2021)	Former Director of the CBI
GVG Krishnamurthy (April 14, 2021)	Former Election Commissioner of India

Person	Description
Yogesh Praveen (April 12, 2021)	Eminent Historian; expert on Awadh especially Lucknow
Balbir Singh Junior (April 14, 2021)	Former Indian Hockey Player
Digvijaysinh Zala (April 4, 2021)	Former Union Environment Minister and an MLA from Wankaner in Gujarat
Chandra Naidu (April 4, 2021)	Country's first female cricket commentator
Bhagwati Singh (April 4, 2021)	Politician from Samajwadi Party and a member of the Parliament of India
KC Chakrabarty (March 26, 2021)	Former Reserve Bank of India (RBI) Deputy Governor
Anil Dharker (March 26, 2021)	Founder and director of the Mumbai International Literary Festival
GV Ramakrishna (March 20, 2021)	Former SEBI Chairman
Dilip Gandhi (March 17, 2021)	BJP leader and former Union Minister
Anshuman Singh (March 8, 2021)	Former Governor of Rajasthan and Gujarat
Rahul Khullar (February 23, 2021)	Former chairman of the Telecom Regulatory Authority of India (TRAI)
Vishnu Narayanan Namboothiri, (February 23, 2021)	Renowned Malayalam poet, priest and academician
M. Rama Jois (February 16, 2021)	Former Governor of Bihar and Jharkhand, Chief Justice of Punjab and Haryana High Court and senior advocate in the Supreme Court of India
Basant Kumar Mahapatra (February 15, 2021)	Participated in 1962 Indo-China war and 1965 and 1971 India-Pakistan war
Akhtar Ali (February 7, 2021)	Former Davis Cup coach and tennis player
Prasanta Dora (January 26, 2021)	Former National Football Team Goalkeeper
Narendra Chanchal (January 22, 2021)	Noted Bhajan Singer
Mata Prasad (January 20, 2021)	Former Governor of Arunachal Pradesh, Senior Congress Leader
V. Shanta (January 19, 2021)	Renowned Oncologist
Narendra Luther (January 19, 2021)	Historian, Author, Poet & Retired Bureaucrat
Kamal Morarka (January 15, 2021)	Former Union Minister, Samajwadi Janata Party (Rashtriya) President
D. Prakash Rao (January 13, 2021)	Social worker & Tea seller of Odisha, Padma Shri awardee
Turlapaty Kutumba Rao (Jan. 11, 2021)	Padma Shri awardee, Famous Telugu Journalist
Madhavsingh Solanki (January 7, 2021)	Former CM of Gujarat, Veteran Congress Leader
Buta Singh (January 2, 2021)	Former Central Minister; Senior Leader of Congress

Person in News

Personality	Why in News?
Mitali Raj (Sept. 21, 2021)	India women's ODI captain; Completed 20000 international career runs
R. Raja Rithvik (Sept. 19, 2021)	Became India's 70th Chess Grand Master
Amarinder Singh (Sept. 18, 2021)	Resigned from the post of Chief Minister of Punjab
Kailash Satyarthi (Sept 17, 2021)	Appointed as one of the SDG Advocates of the UN
Shefali Juneja (Sept 17, 2021)	Elected as first woman chairperson of International Civil Aviation Organisation (ICAO)
Pankaj Tripathi (Sept 14, 2021)	Named as first Brand Ambassador of Fino Payments Bank
Pawan Kumar Goenka (Sept 11, 2021)	Appointed as Chairperson of Indian National Space Promotion Authorisation Centre (IN-SPACE)

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Personality	Why in News?
V. Vaidyanathan (Sept 8, 2021)	Reappointment as the MD and CEO of IDFC FIRST Bank
Baby Rani Maurya (Sept 8, 2021)	Resigned from the post of Governor of Uttarakhand
Neeraj Chopra (Sept 8, 2021)	Named as Brand Ambassador of Tata AIA Life Insurance
Prashant Kumar (Sept 5, 2021)	Elected to the board of directors of International Legal Assistance Consortium (ILAC)
Cyrus Poncha (Sept 4, 2021)	Elected as Vice-President of Asian Squash Federation (ASF)
Basant Kumar Mishra (Sept 3, 2021)	Honoured with 'International Lifetime Achievement Award in Neurosurgery' of 'American Association of Neurological Surgeons (AANS)
Stuart Biny (Aug. 30, 2021)	Indian Allrounder; announced his retirement from international and first class cricket
Sonu Sood (Aug 27, 2021)	Named as Brand Ambassador for Delhi government's 'Desh ke Mentors' programme
Mansukh Mandaviya (Aug 26, 2021)	Took charge as the president of 'Stop TB Partnership Board'
Ajay Kumar Bhalla (Aug 26, 2021)	Appointed as new Executive Director of the RBI
Sanjib Chaudhary (Aug 25, 2021)	Appointed as Part-time chairman of IDFC FIRST Bank
Nitin Chugh (Aug 20, 2021)	Resigned as the MD and CEO of Ujjivan Small Finance Bank
NK Singh (Aug 19, 2021)	Appointed as the President of Institute of Economic Growth (IEG) Society
Alia Bhatt (Aug 18, 2021)	Named as Brand Ambassador of Samsung India
Unmukt Chand (Aug 13, 2021)	Former Under-19 Cricket World Cup winning Captain; Announced his retirement from Indian Cricket
Rekha Sharma (Aug 7, 2021)	Gets three year extension as Chairperson of National Commission for Women (NCW)
Harshit Raja (Aug 3, 2021)	Became India's 69th Chess Grand Master
Mahavir Raghunathan (Aug 3, 2021)	Became the third Indian to test drive a F1 car
VM Kanade (Aug 2, 2021)	Appointed as the Lokayukta of Maharashtra
Rakesh Asthana (July 27, 2021)	Director General of BSF; Appointed as the Delhi Police Commissioner
Saikhom Mirabai Chanu (July 26, 2021)	Appointed as the Additional Superintendent of Police (Sports) in the Manipur Police Department; First Indian to win a medal (Silver Medal) at the Tokyo Olympics 2020
BS Yediyarappa (July 26, 2021)	Resigned from the post of Chief Minister of Karnataka
Vijay Mallya (July 26, 2021)	Fugitive liquor businessman; Declared 'Bankrupt' by a UK High Court
NS Srinivasa Murthy (July 10, 2021)	Industrialist from Bengaluru; Appointed as Honorary Consul General of Vietnam for Karnataka
Manu Sawhney (July 9, 2021)	CEO of International Cricket Council (ICC); Sacked on the basis of a culture review of the ICC employees
Shyam Srinivasan (July 9, 2021)	Reappointed as the MD & CEO of Federal Bank for three years
Vidya Balan (July 6, 2021)	Famous Bollywood actress; A military range in Gulmarg (Kashmir) is named after her
Nitin Gadkari (July 6, 2021)	Minister of Road Transport and Highways and MSME; Declared himself the Brand Ambassador of Khadi Prakritik Paint

Personality	Why in News?
Mitali Raj (July 3, 2021)	Captain of Indian women's cricket team; Set new world record for most runs in women's cricket
Yuvraj Singh (June 17, 2021)	Named as Brand Ambassador of PUMA Motorsport in India
Dr. Harsha Vardhan (May 31, 2021)	Honoured with 'WHO Director General Special Recognition Award'
Vikramjeet Sen (May 31, 2021)	Appointed as First Chairman of Digital Media Content Regulatory Council
Dr. D. Nageshwar Reddy (May 28, 2021)	Honoured with 'Rudolf V. Schindler Award' by 'The American Society of Gastrointestinal Endoscopy (ASGE)'
Suresh Mukund (May 22, 2021)	Honoured with 'World Choreography Award 2020'
Narinder Batra (May 21, 2021)	Reappointment as the President of FIH
Shiv Sundar Das (May 18, 2021)	Appointed as the Batting Coach of the Indian women's cricket team
Ramesh Pokhriyal (May 17, 2021)	Honoured with this year's 'International Invincible Gold Medal'
Adline Castolino (May 16, 2021)	Third Runner-up at the Miss Universe 2020
Ajay Seth (April 27, 2021)	Named as a Director on the Central Board of the RBI
Atanu Chakraborty (April 23, 2021)	Appointed as Part-time Chairman of HDFC Bank
Arjun Kalyan (April 20, 2021)	Became India's 68th Chess Grand Master
Girish Chandra Murmu (April 22, 2021)	Named as External Auditor of the Organisation for the Prohibition of Chemical Weapons (OPCW)
Ayushmann Khurrana (April 15, 2021)	Named as Brand Ambassador of the global premium smartphone brand TECNO
Priyanka Mohite (April 20, 2021)	First Indian woman, who scaled 'Mount Annapurna,' the 10th highest mountain peak in the world
Suresh Raina (April 13, 2021)	Named as Brand Ambassador of the consumer electronic goods company 'Elista'
Bharat Pannu (April 8, 2021)	Created two Guinness World Records for his fastest solo cycling.
Virat Kohli (April 7, 2021)	Appointed as VIVO's brand ambassador
Shrikrishan Suman (April 5, 2021)	Rajasthan farmer who develops an all-season mango variety Sadabahar, which is immune to most of the major diseases affecting the crop
Bhavani Devi (March 14, 2021)	Became the first Indian fencer to qualify for the Olympics in women's individual sabre
Mithali Raj (March 12, 2021)	Became the first Indian woman cricketer and second internationally to complete 10000 runs across all formats
Anurag Thakur (March 10, 2021)	Become first serving MP to get promoted as Captain in the 124 Infantry Battalion Territorial Army (Sikh)
Kiran Bedi (March 8, 2021)	Received Baton of Honour and a letter of appreciation from President Ram Nath Kovind
Virat Chandra (March 6, 2021)	A 7-year-old boy from Hyderabad has become one of the youngest in the world to scale Mount Kilimanjaro
Kadapala Rithvika (Feb. 25, 2021)	A nine-year-old girl Kadapala Rithvika Sri, from Andhra Pradesh, became Asia's youngest girl to climb Mount Kilimanjaro
Hima Das (Feb. 11, 2021)	Appointed as Deputy Superintendent of Police (DSP) in Assam
Rishabh Pant (February 8, 2021)	Named as ICC Player of the Month January 2021

Personality	Why in News?
Ayesha Aziz (February 3, 2021)	A 25-year-old from Kashmir has become the India's youngest female pilot
SN Subramanian (February 4, 2021)	Named as Chairman of National Security Committee
Mahendra Singh Dhoni (Feb. 1, 2021)	First ever cricketer to earn more than ₹ 150 crore in the IPL
Gita Mittal (January 22, 2021)	First women appointed as Chairman of Broadcasting Content Complaints Council (BCCC)
Rohini Godbole (January 12, 2021)	Honoured with 'Order of Merit' by French government
Raghunath Chandorkar (January 6, 2021)	Recognised as Oldest Living Cricketer in the world
Presha Khemani (January, 2021)	Set world records India Book for naming 150 countries and their capitals, after identifying their flags within 4.17 mins.

International Personalities

(Appointment, Newly Elected PMs/Presidents, Person Died)

Appointment

Name	Designation	Predecessor
Ramiz Raja (Sept. 12, 2021)	President, Pakistan Cricket Board (PCB)	Ehsan Mani
Randhir Singh (Sept 11, 2021)	President (Acting), Olympic Council of Asia (OCA)	Sheikh Ahmad al-Fahad al-Sabah
Mohammad Mokhber (Aug 9, 2021)	Vice President, Iran	<i>First appointment</i>
Veena Reddy (July 28, 2021)	Mission Director, US Agency for International Development (USAID)	
Atul Keshap (July 2, 2021)	US Charge D'affaires in India	Daniel Smith
Satya Nadella (June 16, 2021)	Chairman, Microsoft	John Thompson
Rebeca Grynspan (June 12, 2021)	Secretary-General, UNCTAD	Mukhisa Kituyi
Abdulla Shahid (June 7, 2021)	UNGA President for 76th Session	Volkan Bozkir
Husain Al-Musallam (June 5, 2021)	President, International Swimming Federation (FINA)	Julio Maglione
Martin Griffiths (May 13, 2021)	Chief, United Nations OCHA	Mark Lowcock
Dr Vivek Murthy (March 24, 2021)	US Surgeon General	Jerome Michael Adams
Bill Nelson (March 18, 2021)	Administrator, NASA	Jim Bridenstine
William Burns (March 18, 2021)	Director, Central Intelligence Agency (CIA)	Gina Haspel
Xavier Becerra (March 18, 2021)	US Secretary of Health and Human Services	Norris Cochran
G R Chintala (March 5, 2021)	Chairman, APRACA	DPK Gunasekera
Ligia Noronha (Feb. 26, 2021)	Assistant Secretary-General and Head, United Nations Environment Programme (UNEP)	Satya Tripathi
Woochong Um (Feb. 22, 2021)	Managing Director General, Asian Development Bank (ADB)	
Seiko Hashimoto (Feb. 19, 2021)	President 2020 Tokyo Olympics and Paralympic Games organising committee	Yoshiro Mori
Preeti Sinha (Feb. 16, 2021)	Executive Secretary, UN Capital Development Fund	Judith Karl
Marc Llistosella (Feb. 12, 2021)	CEO & MD, Tata Motors Limited	Guenter Butschek

Name	Designation	Predecessor
Ngozi Okonjo-Iweala (Feb. 15, 2021)	Director General, World Trade Organisation (WTO)	Roberto Azevedo
Andy Jassy (Feb. 2, 2021)	CEO, Amazon	Jeff Bezos
Nazhat Shameem Khan (January, 2021)	President, UN Human Rights Council	Elizabeth Tichy-Fisslberger

Newly Elected PMs/Presidents

Name	Designation, Country	Predecessor
Aziz Akhannouch (Sept 10, 2021)	Prime Minister, Morocco	Saad Dine El Otmani
Alar Karis (Aug 31, 2021)	President, Estonia	Kersti Kaljulaid
Ismail Sabri (Aug 20, 2021)	Prime Minister, Malaysia	Muhyiddin Yassin
Hakainde Hichilema (Aug 16, 2021)	President, Zambia	Edgar Lungu
Pedro Castillo (July 28, 2021)	President, Peru	Francisco Sagasti
Najib Mikati (July 26, 2021)	Prime Minister, Lebanon	Saad Hariri
Ariel Henry (July 20, 2021)	Prime Minister, Haiti	Claude Joseph
Cleops Dlamini (July 16, 2021)	Prime Minister, Eswatini	Themba Masuku
Sher Bahadur Deuba (July 13, 2021)	Prime Minister, Nepal	KP Sharma Oli
Ebrahim Raisi (June 19, 2021)	President, Islamic Republic of Iran	Hassan Rouhani
Naftali Bennett (June 13, 2021)	Prime Minister, Israel	Benjamin Netanyahu
Henri Marie Dondra (June 11, 2021)	Prime Minister, Central African Republic (CAR)	Firmin Ngrebada
Ukhnaa Khurelsukh (June 9, 2021)	President, Mongolia	Khaltmaa Battulga
Isaac Herzog (June 2, 2021)	President, Israel	Reuven Rivlin
Assimi Goita (May 29, 2021)	President (Interim), Mali	Bah Ndaw
Fiaame Naomi Mataafa (May 25, 2021)	Prime Minister, Samoa	Tuilepa Sailele Malielegaoi
Anatole Collinet Makosso (May 13, 2021)	Prime Minister, Congo	Clement Mouamba
Vjosa Osmani-Sadriu (April 4, 2021)	President, Kosovo	Hashim Thaci
Eduard Heger (April 1, 2021)	Prime Minister, Slovakia	Igor Matovic
Samia Suluhu Hassan (March 19, 2021)	President, Tanzania	John Pombe Joseph Magufuli
Patrick Jerome Achi (March 8, 2021)	Prime Minister, Ivory Coast	Hamed Bakayoko
Irakli Garibashvili (February 18, 2021)	Prime Minister, Georgia	Giorgi Gakharia
Jean-Michel Sama Lukonde (February 15, 2021)	Prime Minister, DR of the Congo	Sylvestre Ilunga
Mario Draghi (February 13, 2021)	Prime Minister, Italy	Giuseppe Conte
Mohammad Younes Menfi (February 5, 2021)	President, Libya	Fayez Mustafa al-Sarraj
Abdul Hamid Dbeibeh (February 5, 2021)	Prime Minister, Libya	Abdullah al-Thani
Sadyr Japarov (January 28, 2021)	President, Kyrgyzstan	Sooronbay Jeenbekov
Kaja Kallas (January 24, 2021)	Prime Minister, Estonia	Juri Ratas
Joe Biden (January 20, 2021)	President, the USA	Donald Trump
Nana Akufo-Addo (January 7, 2021)	President, Ghana	John Mahama

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Person Died	
Person	Description
Abdelaziz Bouteflika (Sept 17, 2021)	Former President of Algeria
Jean-Pierre Adams (Sept 6, 2021)	Former French footballer; He had been in a coma for 39 years
Jacques Rogge (Sept 1, 2021)	Former President of International Olympic Committee (IOC)
Gerd Muller (Aug 15, 2021)	German football legend; one of the game's greatest goalscorers
Maki Kaji (Aug 10, 2021)	Japanese puzzle enthusiast; Creator of Sudoku; Known as the 'Godfather of Sudoku'
Fakir Alamgir (July 23, 2021)	Bangladesh's folk singer and freedom fighter
Steven Weinberg (July 23, 2021)	American Particle Physics Scientist; Honoured with Nobel Prize (Physics) in 1979
Kurt Westergaard (July 18, 2021)	Denmark's Cartoonist and Artist; Famed for drawing a controversial caricature of Prophet Mohammed
Mamnoon Hussain (July 14, 2021)	Former President of Pakistan; Born in Agra in 1940 and served as 12th President of Pakistan
Jovenel Moise (July 7, 2021)	President of Haiti; Killed in an attack on their home in the nation's capital, Port-au-Prince
Donald Rumsfeld (June 29, 2021)	Former US Defence Secretary; One of the main architects of the Iraq war
Benigno Aquino III (June 24, 2021)	Former President of the Philippines
John McAfee (June 23, 2021)	British-American computer programmer; Creator of McAfee antivirus software
Kenneth Kaunda (June 17, 2021)	First President of the Republic of Zambia
Max Mosley (May 24, 2021)	British barrister; Former motorsport (F1) boss
Idriss Deby (April 20, 2021)	President of Chad; Died after clashes with rebels
Charles Geschke (April 16, 2021)	American computer scientist; Co-founder of Adobe and developer of PDFs
Bernard Madoff (April 13, 2021)	The infamous architect of an epic securities swindle that burned thousands of investors, outfoxed regulators and earned him a 150-year prison term
Prince Philip (April 9, 2021)	Duke of Edinburgh; Husband of Queen Elizabeth II of the United Kingdom
Earl Simmons (April 9, 2021)	American Hip-Hop rapper and actor; Known as DMX
Ramsey Clark (April 9, 2021)	Former US Attorney General and legal activist
Isamu Akasaki (April 1, 2021)	Japanese Nobel laureate and inventor of first efficient blue LED
Didier Ratsiraka (March 28, 2021)	Former President of Madagascar
John Magufuli (March 17, 2021)	President of Tanzania
Moudud Ahmed (March 16, 2021)	Former PM of Bangladesh and Barrister
Marvin Hagter (March 14, 2021)	Former American Boxing (Middle weight) World Champion
Hamed Bakayoko (March 10, 2021)	Prime Minister of Ivory Coast
Lodewijk Frederik Ottens (March 6, 2021)	Inventor of the cassette tape
Michael Somare (February 26, 2021)	First PM of Papua New Guinea

Person	Description
Sheikh Ahmed Zaki Yamani (February 23, 2021)	Former Oil minister
Carlos Menem (February 14, 2021)	Former President of Argentina
Tom Moore (February 2, 2021)	British business man, who raised almost \$ 53 million for National Health Society (NHS)
Paul J. Krutzen (January 29, 2021)	Dutch scientist, Nobel Prize (Chemistry) 1995 winner

UNION BUDGET 2021-22

Finance Minister Nirmala Sitharaman on February 1, 2021 presented the first paperless Union Budget in India's history in view of the ongoing COVID-19 pandemic.

The Budget proposals for 2021-22 rest on following six pillars-Health and Wellbeing, Physical and Financial capital and Infrastructure, Inclusive Development for Aspirational India, Reinvigorating Human Capital, Innovation and Research and Development, Minimum Government and Maximum Governance.

Highlights of the Budget

Fiscal Roadmap

Revised Estimate 2020-21 for Expenditure is ₹ 34.50 lakh crore as against original Budget Estimate expenditure of ₹ 30.42 lakh crore.

The Receipts (other than borrowing) are expected to be ₹ 19,76,624 crore in 2021-22. It is 29% lower than the Budget Estimate.

The budget envisages the Nominal GDP to grow at 14.4% in 2021-22.

The Revenue and Fiscal deficit for 2021-22 is targeted at 5.1% and 6.8% of GDP.

The Gross Tax Revenue of government is estimated at ₹ 22,17,029 crore. The Non-Tax Revenue is expected to be ₹ 2,43,028 crores.

The receipts (including borrowing) in 2021-22 are estimated to be ₹ 34,83,236 crore.

Banking and Taxation

No changes in IT Slabs, 80C and 80D limits. Senior citizens of 75 years of age and having only pension income are exempted from filling their income tax returns.

Dispute Resolution Committee to be set up for taxpayers with taxable income up to ₹ 50 lakh and disputed income up to ₹ 10 lakh. National Faceless Income Tax Appellate Tribunal Centre to be established.

Limit of turnover for tax audit increased to ₹ 10 crore from ₹ 5 crore for entities carrying out 95% transactions digitally.

The custom duty on metals (such as steel scrap, gold and silver), solar lantern has been decreased whereas it has been increased for cotton and silk.

To solve the problem of rising Non-Performing Assets (NPA) an Asset Reconstruction Company limited and Asset Management Company will be established.

The FDI limit in insurance sector has been increased from 49% to 74%. The foreign ownership and control has been allowed with some safeguards.

LIC Act, 1956 has been amended to create a board of directors, issue shares, reduce government Shareholding upto 51% of equity and cap voting rights at 5% to shareholders other than central government.

SEBI Act, 1992 has been amended to allow registration by Alternative Investment Trusts and Business Trusts.

Agriculture

SVAMITVA scheme is extended to all states/UTs. "Survey of Villages and Mapping with Improved Technology in Village Area" (SVAMITVA) scheme was launched in 2021-22 to bring transparency in property ownership in village.

Agricultural credit target enhanced to ₹ 16.5 lakh crore in FY22-animal husbandry, dairy and fisheries to the focus areas.

Rural Infrastructure Development Fund to be enhanced to ₹ 40000 crore from ₹ 30000 crore. The allocation under Micro-Irrigation Fund is doubled to ₹ 10,000 crore.

‘Operation Green Scheme’ to be extended to 22 perishable products to boost value addition in agriculture and allied products. This scheme was launched in Budget 2018-19 to stabilise the supply and prices of tomato, onion and potato crops in the country.

5 major fishing harbours-Kochi, Chennai, Visakhapatnam, Paradip, and Petuaghat to be developed as hubs of economic activity. A multipurpose seaweed park will also be established in Tamil Nadu.

The ambit of stand UP India Scheme, launched in 2016 to promote entrepreneurship among women and SC and ST has been extended to include agriculture and its allied activities.

Agriculture Infrastructure and Development Cess has been proposed to address the immediate need to improve agriculture infrastructure.

Health

₹ 35000 crore has been allocated for vaccination drive and new health and wellness centers will be established across the country.

Pradhan Mantri Swastha Bharat Yojana is launched with an outlay of ₹ 64,180 crore over 6 years. It will help in establishing integrated public health labs, critical care hospitals and health emergency operation centers.

Mission Poshan 2.0 will be launched to strengthen nutritional content, delivery, outreach and outcome. Poshan mission was launched on 8th March from Jhunjhunu, Rajasthan to improve nutritional outcome of Children, Pregnant women and lactating mothers.

Urban Swachh Bharat Mission 2.0 will be launched at an Outlay of ₹ 141678 crore over 5 years. It will focus on complete faecal sludge management,

waster water management, source segregation of garbage and elimination of single use plastics.

₹ 2217 crore has been allotted to tackle air pollution, for 42 urban centers with a millionplus population.

Railways

A National Rail plan for India-2030 has been prepared to create a future ready railway station by bringing down logistics cost and improving infrastructure.

Western Dedicated Freight Corridor (DFC) and Eastern DFC to be commissioned by June 2022 new freight corridor projects-East-Coast Corridor from Kharagpur to Vijaywada, East-West Corridor from Bhusawat to Kharagpur to Dankuni and North-South Corridor from Harsi to Vijaywada will be constructed.

The Government announced that 100% electrification of Broad-Gauge routes will be completed by December, 2023.

Two new technologies-Metro lite and Metro Neo has been also announced to provide metro services in tier II and tier III cities at much less cost than traditional metro.

Education

15000 schools to be strengthened by implementing all National Education Policy, 2020 components. 100 new Sainik Schools to be set up in partnership with NGOs/private schools/states.

Government will establish a Central University in Leh for providing higher education in newly created Union Territory of Ladakh.

National Language Translation Mission (NTLM) has been launched to make governance-and-policy related knowledge available in major Indian languages.

The Government will establish, Higher Education Commission of India in 2021. It will replace University Grants Commission and will function as a single regulator for education sector.

Miscellaneous

₹ 3768 crore is allocated to conduct first digital census in the history of India.

₹ 1000 crore is allotted for the welfare of Tea workers especially women and their children in Assam and West Bengal through a special scheme.

Budget has proposed a voluntary vehicle scrapping policy to phase out old and unfit vehicles. Private vehicles that are over 20 years old and public vehicles that are over 15 years old could undergo fitness tests to check their eligibility for scrapping.

Deep Ocean Mission with a total budget of over ₹ 4077 for five years has been announced. Under this mission, mineral resources in Indian Ocean will be explored for commercial use will be explored.

A new Development Finance Institute (DFI) with a capital of ₹ 20,000 crore will be established to leverage and provide debt of over ₹ 5 lakh crore to the infrastructure sector over the next three years. A ₹ 1.75 lakh crore disinvestment target has been announced in the Budget.

The strategic sale of IDBI Bank, BPCL, Shipping Corporation, Container Corporation, Neelanchal Ispat Nigam Limited among others would be completed in 2021-22.

A new Public Sector Enterprises (PSE) policy has been announced, under this policy all PSE except in four strategic areas will be divested.

A National Hydrogen Policy, 2021 has been announced in the Budget to promote the use of hydrogen as a fuel for increasing energy needs.

₹ 1.97 lakh crore has been allocated for Production Linked Incentive (PLI) scheme for 13 sectors.

Further 7 textile parks will be launched under Mega Investment Textile Park (MITRA) Scheme.

Ujjwala Scheme (launched in 2016 to provide free LPG cooking gas connection) has been extended to additional 1 crore people.

ECONOMIC SURVEY 2020-21

The Economic Survey 2020-21 was tabled in the Parliament by Finance Minister Nirmala Sitharaman on January 29, 2021. The foundational theme of the survey was "Saving Lives and Livelihoods". This survey was prepared by Chief Economic Advisor (CEA), Krishnamurthy V. Subramanian.

Highlights of Economic Survey

Growth

The GDP of India in the Financial Year 2020-21, contracted by 7.7% due to disruption caused by COVID-19.

India's real GDP is projected to record a growth of 11.0% in 2021-22 and nominal GDP by 15.4%. This estimation is in Concurrence with the IMF estimation

The survey projected a V-shaped recovery, as seen in 7.5% decline in GDP in Q_2 and recovery across all key economic indicators vis-a-vis the 23.9% GDP contraction in Q_1 .

The Global Economic output is estimated to fall by 4.4% in 2020-21, the sharpest contraction in a century. Exports expected to decline by 5.8% and imports by 11.3% in the second half of 2020-21.

Fiscal Deficit

As per the Revised Estimate (RE) for the Financial Year 2020-21, Revenue deficit is 7.5% of GDP and Fiscal deficit is 9.5% of GDP.

For the Financial Year 2021-22, Revenue deficit is targeted at 5.1% of GDP and Fiscal deficit is targeted at 6.8% of GDP.

Base Necessities Index

The Economic Survey 2020-21, has constructed a Bare Necessities Index at rural, urban and All-India level with 26 indicators on 5 dimension i.e. sanitation, water, housing, micro-environment and other facilities.

The survey showed that all states have increased access to bare necessities in 2018 in comparison to 2012. The highest access was recorded in states like Punjab, Kerala, Gujarat and Haryana while states like Jharkhand, Odisha, West Bengal and Tripura has least access to bare necessities.

Rupee Appreciation/Depreciation

In terms of the 6-currency Nominal Effective Exchange Rate (NEER), Rupee depreciated by 4.1% in December 2020 over March 2020, appreciated by 2.9% in terms of Real Effective Exchange Rate (REER).

In terms of 36-currency NEER, Rupee depreciated by 2.9% in December 2020 over March 2020, appreciated by 2.2% in terms of REER.

Foreign Investment

During April-October, 2020 the net Foreign Direct Investment (FDI) inflows in the country was USD 27.5 billion.

The net Foreign Portfolio Investment (FPI) inflows recorded an all-time monthly high of \$ 9.8 billion in November, 2020.

Agriculture

The agriculture sector was the only silver lining while services, manufacturing and construction were most hit by the lockdown that was imposed to curb the outbreak of COVID-19 pandemic.

The Agriculture and Allied activities clocked a growth of 3.4% at constant prices during 2020-21. The contribution of livestock in total agriculture and allied sector GVA has increased from 24.32% (in 2014-15) to 28.63% (in 2018-19).

The Survey highlighted the importance of Food processing sector which from Financial Year 2014-15 to 2018-19, recorded an impressive growth rate of 9.99% as compared to around 3.12% in Agriculture and 8.25% in manufacturing.

Health

The Economic Survey 2020-21 has strongly recommended an increase in public spending on

healthcare services from 1% to 2.5-3% of GDP, as envisaged in the National Health Policy-2017. It will help in decreasing out of Pocket Expenditure from 65% to 35% of overall expenditure on healthcare.

The survey has recommended that the National Health Mission (NHM) should be continued in conjunction with Ayushman Bharat Yojana. It also recommended faster layout of Telemedicine in the country.

India became the fastest country to roll-out 10 lakh vaccines in a matter of six days and has also emerged as a leading suppliers of vaccine to Brazil and neighbouring countries.

Education

According to the survey, India has attained a literacy level of almost 96% at the elementary school level.

The percentage of school going children owning a smart phone has increased from 36.5% (in 2018) to 61.8% (in 2020) in rural India.

The government has launched PRAGYATA guidelines on digital education and MANODARPAN initiative for Psychological Support Under Atmanirbhar Bharat Abhiyan.

Service Sector

The service sector has largest contribution to Indian GDP. It accounts for over 54% of India's Gross Value Added (GVA) and nearly four-fifths of total Foreign Direct Investments (FDI) inflow into India.

During the Financial Year 2020-21, 12 start-ups have been accorded the status of UNICORN.

Service sector also accounts for 48% of total exports from India.



QUESTION BANK

- 1.** Which one of the following is the first education financing platform of India to conferred NBFC license from RBI?
(1) Gyan Shala (2) Gyan Darshan
(3) Gyan Dhan (4) BYJU
(5) None of these
- 2.** Which among the following business organisation won the best small businesses award by United Nations?
(1) Edible Routes Private Limited
(2) Oorja Development Solution India
(3) Taru Naturals
(4) All of the above
(5) None of the above
- 3.** Name the first foreign country to issue and accept Rupay Cards as well as accept BHIM-UPI.
(1) Nepal (2) Singapore
(3) Bhutan (4) Bangladesh
(5) Maldives
- 4.** A small ticket loan product 'Postpaid Mini' was launched by
(1) PhonePay (2) Airtel Payment Bank
(3) SBI (4) Paytm
(5) Google Pay
- 5.** What is the rank of India in terms of money parked in Swiss Bank?
(1) 51 (2) 50 (3) 48 (4) 42
(5) 16
- 6.** The largest oil supplier to India is
(1) Saudi Arabia (2) Iran
(3) Iraq (4) USA
(5) UAE
- 7.** The Reserve Bank of India has asked banks to implement the image-based Cheque Truncation System (CTS) in all branches by.
(1) March 31, 2022
(2) December 31, 2021
(3) September 30, 2021
(4) September 30, 2022
(5) None of the above
- 8.** The tenure of Private Bank CEOs has been capped to
(1) 15 years (2) 10 years
(3) 7 years (4) 5 years
(5) None of these
- 9.** Which of the following organisations is responsible for climate risk management in financial sector?
(1) BASEL (2) ADB
(3) IMF (4) NGFS
(5) None of these
- 10.** Name the chairman of advisory committee constituted by the RBI to evaluated banking applications?
(1) Shyamala Gopinath
(2) Vishwanath Ahuja
(3) Bimal Jalan
(4) Urjit R. Patel
(5) Ram Sewak Sharma
- 11.** Which of the following banks was removed from Prompt Corrective Action (PCA) framework of the RBI on March 10, 2021?
(1) IDBI Bank
(2) IDFC Bank
(3) Bandhan Bank
(4) Indian Overseas Bank
(5) Corporation Bank
- 12.** Which of the following is not recognised as Domestic systematically important Bank (D-SIBs) by RBI?
(1) HDFC Bank (2) SBI
(3) ICICI Bank (4) Axis Bank
(5) None of these
- 13.** Name the Municipal Corporation which has launched India's first Social Impact Bond (SIB)?
(1) New Delhi Municipal Corporation
(2) Surat Municipal Corporation
(3) Ghaziabad Municipal Corporation
(4) Pimpri Chinchwad Municipal Corporation
(5) None of the above

- 14.** The SEBI has cancelled the certificate of which one of the following financial intermediaries as sub-broker on March 4, 2021?
- (1) Angel broking
 - (2) Sharekhan
 - (3) Shara India Financial Corporation Ltd (SIFCL)
 - (4) IIFCL
 - (5) None of the above
- 15.** Dukandar Overdraft scheme has been launched by which of the following banks?
- (1) HDFC Bank
 - (2) ICICI Bank
 - (3) SBI
 - (4) PNB
 - (5) Airtel Payments Bank
- 16.** Payby Bank App has been launched by
- (1) IDBI bank
 - (2) Bandhan Bank
 - (3) RBL Bank
 - (4) ICICI Bank
 - (5) Axis Bank
- 17.** Which of the following banks has launched Shaurya Salary Account?
- (1) Bandhan Bank
 - (2) IDBI Bank
 - (3) City Bank
 - (4) HDFC Bank
 - (5) SBI
- 18.** Which one of the following financial institution was included in the Second Schedule of the RBI Act, 1934?
- (1) Paytm Payments Bank
 - (2) Aditya Birla Payments Bank
 - (3) Airtel Payments Bank
 - (4) Fino Payments Bank
 - (5) None of the above
- 19.** Name the first Mutual Fund company of India to cross ₹ 5 lakh crore Average Assets under management?
- (1) Axis Asset Management Company Ltd.
 - (2) Aditya Birla Sun life Ltd.
 - (3) SBI Mutual Fund
 - (4) Canara Robeco Asset Management Company Ltd.
 - (5) BNP Paribas Asset Management Company Ltd.
- 20.** Which one of the following bank was excluded from Second Schedule of RBI Act, 1934?
- (1) RBL Bank
 - (2) Nainital Bank
 - (3) Fino Payments Bank
 - (4) Bandhan Bank
 - (5) Lakshmi Vilas Bank
- 21.** Which of the following banks has launched Smartup Unnati programme to support women entrepreneurs?
- (1) ICICI Bank
 - (2) Axis Bank
 - (3) Canara Bank
 - (4) HDFC Bank
 - (5) None of the above
- 22.** Name the first bank to get license from IFSCA to operate International banking in GIFT city.
- (1) HSBC Bank
 - (2) HDFC Bank
 - (3) DBS Bank
 - (4) City Bank
 - (5) None of the above
- 23.** The Rolling Plan concept in nation's planning was introduced by
- (1) Indira Gandhi government
 - (2) The National government
 - (3) The Janata Party government
 - (4) Rajiv Gandhi government
 - (5) Atal Bihari Vajpayee government
- 24.** The government of India has established NITI Aayog to replace the
- (1) Human Rights Commission
 - (2) Finance Commission
 - (3) Law Commission
 - (4) Planning Commission
 - (5) Development Commission
- 25.** BoP (Balance of Payments) refers to
- (1) transactions in the flow of capital
 - (2) transactions relating to receipts and payment of invisible
 - (3) transactions relating only to exports and imports
 - (4) systematic record of all its economic transaction with the rest of the world
 - (5) None of the above
- 26.** Which of the following does not form part of current account of Balance of Payments?
- (1) Export and import of goods
 - (2) Export and import of services
 - (3) Income receipts and payments
 - (4) Capital receipts and payments
 - (5) None of the above

- 27.** Which one of the following is the investment in securities that is intended for financial gain only and does not create a lasting interest in or effective management control over an enterprise?
- (1) Foreign Direct Investment
 - (2) Portfolio Investment
 - (3) Equity Direct Investment
 - (4) Both (1) and (3)
 - (5) None of the above
- 28.** Which of the following committees recommended the abolition of reservation of item of small-scale sector in industry?
- (1) Abid Hussain Committee
 - (2) Narsimhan Committee
 - (3) Nayak Committee
 - (4) Rakesh Mohan Committee
 - (5) Bimal Jalan Committee
- 29.** Which one of the following Industrial Policies has abolished (with a few exception) the Industrial Licensing?
- (1) Industrial Policy, 1970
 - (2) Industrial Policy, 1980
 - (3) Industrial Policy, 1991
 - (4) Industrial Policy, 1985
 - (5) Industrial Policy, 1947
- 30.** 'Basel III Accord' after seen in the news, seeks to
- (1) develop national strategies for the conservation of biological diversity
 - (2) improve banking Sector's ability to deal with financial risk management
 - (3) reduce the green house gas emissions
 - (4) transfer technology from developed countries to poor countries
 - (5) reduce trade dispute in WTO
- 31.** Which of the following companies is eligible for the financial assistance and loans from the Industrial Finance Corporation of India (IFCI)?
- (1) Limited Public Companies
 - (2) Public Cooperatives
 - (3) Private Limited Companies
 - (4) All of the above
 - (5) None of the above
- 32.** What is 'NIKKEI'?
- (1) Share Price Index of Tokyo Share Market
 - (2) Name of Japanese Central Bank
 - (3) Japanese Name of Country's Planning Commission
 - (4) Foreign Exchange Market of Japan
 - (5) Soft bank of Japan
- 33.** Which of the following countries is a member of BRICS?
- (1) Bhutan
 - (2) Iran
 - (3) Romania
 - (4) Sudan
 - (5) South Africa
- 34.** Special Drawing Rights (SDR) are the rights of countries provided by
- (1) World Bank
 - (2) IMF
 - (3) ADB
 - (4) Federal Reserve
 - (5) None of these
- 35.** Bandhan Bank Ltd. received the 'in-principle' approval of the (RBI) for setting up a universal bank in
- (1) April, 2011
 - (2) April, 2012
 - (3) April, 2013
 - (4) April, 2014
 - (5) April, 2015
- 36.** Which committee has been Constituted to give recommendations on Fiscal Responsibility and Budget Management (FRBM)?
- (1) Ajay Shankar committee
 - (2) NR Madhava Mellon committee
 - (3) NK Singh committee
 - (4) H Devaraj committee
 - (5) G C Gupta
- 37.** The main source of National Income of India is
- (1) service sector
 - (2) agriculture
 - (3) industrial sector
 - (4) trade sector
 - (5) None of these
- 38.** Which committee has been constituted to examine the feasibility of a new financial year?
- (1) Shankar Acharya committee
 - (2) Rajiv Kumar committee
 - (3) KM Chandrasekhar committee
 - (4) PV Rajaraman committee
 - (5) None of the above

39. The instance of RBI monetary policy is

- (1) inflation control, with adequate liquidity for growth
- (2) improving credit quality of the banks
- (3) strengthening credit delivery mechanism
- (4) supporting investment demand in the economy
- (5) All of the above

40. Which of the following is not a measure adopted by the government or RBI to control inflation?

- (1) Monetary policy
- (2) Fiscal policy
- (3) Public distribution system
- (4) Price control
- (5) Financial inclusion

41. The GDP is the value of all final goods and services produced

- (1) within the nations boundaries
- (2) by domestically owned companies
- (3) by citizens of the country
- (4) by domestically controlled companies
- (5) None of the above

42. Net National Product (NNP) of a country is

- (1) GDP minus depreciation allowances
- (2) GDP plus net income from abroad
- (3) GNP minus net income from abroad
- (4) GNP minus depreciation allowances
- (5) None of the above

43. The Bank of India was constituted in

- (1) 1911
- (2) 1949
- (3) 1955
- (4) 1956
- (5) None of these

44. SBI Day is observed on

- (1) 1st January
- (2) 1st April
- (3) 1st July
- (4) 1st August
- (5) None of these

45. An increase in CRR by RBI leads to

- (1) decrease in deposit
- (2) increase in deposit
- (3) increase in lendable resource
- (4) decrease in lendable resource
- (5) None of the above

46. The Indian rupee is

- (1) token coin
- (2) gold coin
- (3) standard coin
- (4) standard token coin
- (5) None of the above

47. Which of the following banks has signed an agreement with Indian Navy for salary account?

- (1) HDFC Bank
- (2) ICICI Bank
- (3) SBI
- (4) PNB
- (5) Kotak Mahindra bank

48. India has signed agreement with which of the following international financial institutions to improve power transmission in Assam?

- (1) NDB
- (2) AIIB
- (3) ADB
- (4) IMF
- (5) World Bank

49. Who among the following has been re-appointed as CEO of DCB bank?

- (1) Murali M. Natrajan
- (2) Rekha M Menon
- (3) Arun Raste
- (4) Niraj Bajaj
- (5) Amitabh Chaudhary

50. What was the rank of India in the World Happiness Index 2021?

- (1) 139th
- (2) 140th
- (3) 141th
- (4) 142th
- (5) 116th

Answers

1. (3)	2. (4)	3. (3)	4. (4)	5. (1)	6. (3)	7. (3)	8. (1)	9. (4)	10. (1)
11. (1)	12. (4)	13. (4)	14. (3)	15. (1)	16. (3)	17. (1)	18. (4)	19. (3)	20. (5)
21. (4)	22. (1)	23. (3)	24. (4)	25. (4)	26. (2)	27. (2)	28. (1)	29. (3)	30. (2)
31. (4)	32. (1)	33. (5)	34. (2)	35. (5)	36. (3)	37. (1)	38. (1)	39. (5)	40. (1)