Banking industry in India

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INTRODUCTION OF BANKING INDUSTRY

The Banking Companies Act of 1949, defines :

Banking Company as a company which transacts the business of banking in India. It defines banking as, accepting for the purpose of lending or investment of deposit money from the public, repayable on demand or otherwise and withdraw able by cheque draft , order or otherwise

A bank as an institution dealing in money and credit. It safeguard of the savings of the public and gives loans and advances.

Banking in India - History

- **Banking in India** originated in the last decades of the 18th century.
- The first bank was The General Bank of India, which started in 1786.
- Bank of Hindustan was the 2nd bank, which started in 1790; both are now defunct.
- The oldest bank in existence in India is the State Bank of India, which originated in the Bank of Calcutta in June 1806, which almost immediately became the Bank of Bengal.
- The period between 1906 and 1911, saw the establishment of banks inspired by the Swadeshi movement. A number of banks established then have survived to the present such as Bank of India, Corporation Bank, Indian Bank, Bank of Baroda, Canara Bank and Central Bank of India.
- During the First World War (1914–1918) through the end of the Second World War (1939–1945), and two years thereafter until the independence of India were challenging for Indian banking.

At least 94 banks in India failed between 1913 and 1918 as indicated in the following table:

Years	Number of banks that failed	Authorised capital (Rs. Lakhs)	Paid-up Capital (Rs. Lakhs)
1913	12	274	35
1914	42	710	109
1915	11	56	5
1916	13	231	4
1917	9	76	25
1918	7	209	1

Post Independence

- India observed the emergence of large number of institutions for providing finance to different sectors of the economy.

- The entry activities of private sector and foreign banks were restricted through branch licensing and regulation norms.

- Steps taken by Indian Govt. to regulate banking are:

  Reserve bank of India was nationalized on January 1,1949 under the terms of Reserve bank of India.
- In 1949, the Banking Regulation Act was inacted.

- The Banking Regulation Act also provided that no new bank or branch of an existing bank could be opened without a license from the RBI.
- No two banks could have common directors.

Nationalization

•The nationalization of banks in India took place in 1969 by Mrs. Indira Gandhi. It nationalized 14 banks. Before the steps of nationalization of Indian banks, only State Bank of India (SBI) was nationalized.

• Nationalization of Seven State Banks of India (formed subsidiary) took place on 19th July, 1960.

•The second phase of nationalization of Indian banks took place in the year 1980. Seven more banks were nationalized with deposits over 200 crores.

• The stated reason for the nationalization was to give the government more control of credit delivery.

Adoption of banking technology

The IT revolution had a great impact in the Indian banking system:

- Introduction of online banking in India.
- Formation of committee on Mechanization in the banking Industry in 1984, providing use of standardized cheque forms and encoders.
- Formation of committee on Computerization in Banks (1988) which emphasized that settlement operation must be computerized in the clearing houses of RBI.
- Focused on computerization of branches and increasing connectivity among branches through computers.
- Formation of Committee on Technology Issues relating to Payments System, Cheque Clearing and Securities Settlement in the Banking Industry (1994) emphasized on Electronic Funds Transfer (EFT) system, with the BANKNET communications network as its carrier.
- ATMs installed in India by various banks as on end March 2005 is 17,642.

Major Players

- State Bank of India
- ICICI Bank
- HDFC Bank
- Punjab National Bank
- Axis Bank
- Bank of Baroda
- Bank of India
- IDBI Bank
- Kotak Mahindra Bank
- Yes Bank

Profiles of owners of major players

1. **SBI Bank :Pratip Choudhary (Born in 1954)**

- Current chairman of the State Bank of India
- Did his M.B.A from Nottingham University Business School, Jawaharlal Nehru University, Presidency College

2. **ICICI Bank: Chanda Kochar (Born on Nov.17,1961)**

- Managing Director (MD) of ICICI Bank and Chief Executive Officer (CEO)
- Acquired the Masters Degree in Management Studies from Jamnalal Bajaj Institute of Management Studies, Mumbai

3. **HDFC Bank: Aditya Puri**

- Mr. Aditya Puri holds a Bachelor's degree in Commerce from Punjab University and is an associate member of the Institute of Chartered Accountants of India.
- 37 years of banking experience in India and abroad.

4. PNB Bank: K.R.Kamath

- Chairman & Managing Director of PNB
- After passing his B Com degree examination from Bhandarkars College Kundapur in 1976 with sixth rank in Mysore University, he joined Corporation Bank as officer trainee in 1977.

5. Axis Bank: Ms.Shikha Dixit

- Managing Director & CEO of Axis Bank.
- Completed her Masters of Business Administration from the Indian Institute of Management - Ahmedabad.

6.Bank of India: Shri Misra (Born on 23rd September, 1952)

- Shri Misra was born on 23rd September, 1952.
- He was National Merit Scholar holder and is M.Sc. (Statistics) from Lucknow University. Post Graduate Diploma in Personnel Management, CAIIB

7.Bank of Baroda: M.D.Mallya

- Shri. M. D. Mallya has taken over as Chairman and Managing Director of Bank of Baroda on 07th May, 2008
- Shri. Mallya, born on 9th November 1952, passed out Bachelor of Engineering with Distinction from Karnataka Regional Engineering College, Suratkal.
- Subsequently, he completed post-graduation Diploma in Management from Indian Institute of Science, Bangalore with Distinction.

8.IDBI Bank: Rajender Mohan Malla

- Rajender Mohan Malla, CMD, SIDBI has been Managing Director of IDBI Bank Ltd. since July 2010
- Academically, he qualified in two Masters Degrees, one in Commerce followed by another in Business Administration from the Faculty of Management Studies, University of Delhi.

9.Kotak Mahindra Bank: Mr. Uday Kotak

- vice-chairman and managing director of Kotak Mahindra Bank.
- alumnus of the Jamnalal Bajaj Institute of Management Studies, Mumbai and Sydenham College, Mumbai. In 1986, when he started his own business, he borrowed a money of 30 lakh from family and friends that he put in his company.

10.Yes Bank: Rana Kapoor

- Completed his schooling from The Frank Anthony Public School, New Delhi in 1973.
- Studied at the Shri Ram College of Commerce, and obtained his Bachelor's degree in Economics (Honours) from the University of Delhi in 1977. He then went on to obtain an MBA degree from the Rutgers University in 1980

Market size of Banking Industry in India

- The Indian Banking industry, which is governed by the Banking Regulation Act of India, 1949 can be broadly classified into two major categories:
- non-scheduled banks and scheduled banks. Scheduled banks comprise commercial banks and the co-operative banks. In terms of ownership, commercial bank.
- Can be further grouped into nationalized banks, the State Bank of India and its group banks, regional rural banks and private sector banks (the old/ new domestic and foreign). These banks have over 67,000 branches spread across the country.
- Nationalized bank-28,private sector bank-23,foreign banks-28.

Global Players

- HSBC Bank
- Citibank
- JP Morgan Chase Bank
- Abu Dhabi Commercial Bank
- Bank Of America NS
- American Express Bank
- Ceylon Bank
- Bank Of Tokyo Mitsubushi UFJ
- Bank Of Nova Scotia
- Barclays Bank PLC

Globalization Of Indian Banking System

- Banking sector in India is expanding at an incredibly faster pace, with more and more banks realizing the benefits offered by globalization. Publicly owned banks handle more than 80% of the banking business in India and the rest is in the hands of private sector banks.

- However, banking in both the government and private sector is being revolutionized by this latest phenomenon called “globalization”.

- An overview of the current trends in banking sector in India to enable the clients Profiles of 5 prominent players, from each of the public, private and foreign segment, in the banking sector.
- Discussion of the opportunities and challenges faced by the banking sector in India.
- Future forecast of the banking industry in India till the year 2010.

Impact of Global Crisis to banking Industry:

- Involvement of India's banking system in the sub-prime crisis, which has led to the current global crisis, has been negligible It is now facing its own set of problems locally like:
- High Costs of Funds
- Slow business growth
- Concerns pertaining to asset quality
- Liquidity woes like Advance tax payouts in September, dollar selling by RBI (to prevent steep depreciation of the rupee) in the forex market (due to selling by FIIs and demand from oil companies among others) led to a short-term liquidity.

"Consequent to the global events, Indian banks were also finding it difficult to raise funds from abroad, and had to rely on the domestic borrowing to pump that money for their overseas operations"

Challenges faced by Indian Banks

- **Lack of product expertise**
  - Traditionally focused on limited range of products
  - Primarily for corporate clients
  - Need for acquiring skills in Retail, structured finance Retail, structured finance
- **Lack of distribution expertise**
  - Reliance on branch channel and human intervention
  - Relatively high unit cost of delivery given small transaction sizes
- **Limited use of technology**
  - Across both customer--facing and internal functions
- **Competition in market**
  - Post office
  - Insurance
  - Financial Institution
  - Foreign Banks

Latest Trends

- Focus on the fundamental assets of customer, staff and capital rather than product innovation.
- Focusing on staff efficiency
- Increasing risk transparency
- Moving from a product-centric approach to a client-centric approach
- Deploying client profitability analytics to enhance performance

- Better manage clients and client portfolio.
- Better leverage the best of existing infrastructures
- Banks are accelerating the use of algorithmic approaches to complex back-office tasks .
- Balancing cost reduction with process improvements

Facts and Figures

▪Indian banking sector has 6 rank in all over the world.rank in all over the world.
▪SBI has 6500+ ATMs all over the country.
▪ICICI bank has 3500+ ATMs all over the country.

▪RBI had printed 6,39,948 lakhs crore notes till 6^{TH} Nov2010 .
▪SBI provides the facility and it is tie with 9200+ banks to use their ATMs.
▪ Acc. To business magazine survey the no. of ATMs grew28% yearly

▪Inspite of it India has 23+ ATMs per million people, China has 55+ ATMs and South Korea has 1600+ per million people.
▪Transaction done through ATMs is around 70,000 crore in a year.
ICICI bank has largest no. branches in foreign also..

THANK YOU

Bank Accounts

Accounts

Categories Types

Features

Bank Account Types

- The funds/deposits are mobilized by the banks from the
- Public/ depositors in the shape of different bank accounts. The funds thus deposited are and placed, based on the tenor/ duration, and the Implied usage/purpose, in the following categories;
- **C.A.S.A**

Current **A**ccounts

Savings **A**ccounts

Fixed or Term deposits **Accounts**

Special Purpose Accounts

Bank Account Types

- **Current Deposits**

- **Features & characteristics**

  Reflected in financial statements as Current Liabilities
- Payable on demand(to the customer) up to the Extent of available credit in the respective account/or approved overdraft arrangements in favor of the said account
- The accounts do not earn interest /carry rate of return.
- Mandatory Maintenance of a minimum credit balance in the account
- Service charges are levied on the account in case of default
- Mobilization of deposits in shape of such accounts preferred,since the bank is not required to pay any return to the depositor as in case of savings/term deposit accounts.

Bank Account Types

- **Savings Deposits.**
- **History:**
- Instituted under the under the Trustees Savings Bank Act 1863
- **Objectives:**
- To mobilize & encourage savings among people of small means, household women, children etc
- Initiated in undivided India under Post Office savings Bank in 1882

Bank Account Types

- **Features:**
- Has gained popularity due to Simplicity of procedure approachability.
- Can be opened with a minimal amount
- Cheque book issued by the bank after the account has been opened for making withdrawals
- Profit computed on a flexible rate under the NIB (Non interest based banking)system
- Profit payable to customer at flexible/variable rates on a monthly basis.
- No restrictions on withdrawals
- Notice /intimation prior to sizeable withdrawl insisted by some banks
- Part accounted for in the banks financial statements as Current & part as Term liabilities

Bank Account Types

- **Fixed Deposits/Term Deposits**
- **Features;**
- Accounted for as Time liabilities
- Placed for a mutually agreed specified duration/period of time, varying from;
- Three months to five years.
- Withdraw able upon maturity
  Profit rate is variable & linked with the duration.
- A receipt is issued to the depositor

Bank Account Types

- **Fixed/Term deposits**
- **Premature Withdrawal/Payment**
- A certain amount is deducted from the profit,
- As service charge.
- Profit Rate calculated on the lower side
- Limitation;
- Profit on the Fixed deposit ceases on maturity
- Unless renewed
- Deposits can be made in individual & joint names
- Terms of payment in accordance with the respective account rules.

Bank Account Types

- **Non Resident Accounts**
- **Description & nomenclature**

- Non Resident Accounts (N.R.A)
- Maintained in Pak Rupees in the names of
- Pakistani ,& Foreign
- Individuals
- Firms, companies ,
- **Residing or operating outside Pakistan**

Bank Account Types

- **Non Resident Accounts**; **Pak Rupee**
- Accounts of the following are treated as N.R. Account & do not require prior permission from the State Bank but need to be maintained separate from other accounts.
- **Eligible's**
- Pakistani Nationals permanently resident or domiciled abroad
- Pakistanis engaged in frequent trips overseas in connection with,
- Education
- Business
- Tourism
- Resident foreign nationals occasionally visiting overseas
- Foreign nationals residing abroad
- Treated as resident on permanent return/arrival in Pakistan.

Bank Account Types

- **Accounts of Foreign nationals Resident in Pakistan under A.22**

  Accounts of Foreign nationals/companies,(other than Banks) residing,/operating in Pakistan are also treated as

  Non Resident accounts

  Undertaking to be given by the Account holder/s

  They will not provide any foreign exchange outside Pakistan against pak rupee relating to business transactions in Pakistan

Bank Account Types

- **Debits Authorized from such accounts**
- Payment of Insurance dues/utilities/Taxes
- Memberships fee. Duly supported by Documents of receipts,
- Disbursements against remittances received
- Investments in shares, Prize Bonds
- Payments to dependants for sustenance
- Debt servicing, loan repayments
- Approved remittances

Bank Account Types

- **Feedings/Credits to such accounts**

- Receipts on account of salaries, bonuses
- Interests, Dividends
- Rental Income
- Foreign remittances through bank channels
- Maturity proceeds,
- Paid up value of insurance policies

Bank Account Types

- **Foreign currency accounts**

- **Features;**
- Accounts in all major foreign currencies can be opened in authorized /designated branches of Pakistani & foreign commercial banks.
- All account opening procedures as applicable in other accounts are
- Mandatory.
- **Rupee convertibility facility**

  Disclosure of Sources of funds under KYC is mandatory

Bank Account Types

- **Rupee convertibility facility**
- The Foreign currency balance in such account is convertible in equivalent Pak rupees on the exchange parity notified /as per value date

  Disclosure of Sources of funds under KYC is mandatory
- **Eligible entities**;
- **All Individual**
- Resident/Non Resident, Pakistani/foreign individuals
- **Companies/firms.**
- **Account Nature**
- The accounts can be opened as
- **Current account**
- **Savings Accounts**
- **Fixed/Term deposits**

Bank Account Types

- **Foreign currency Accounts**
- **Additional features**

  Rupee Loan facility

  Loans in Pak rupee is available against banks lien on the credit balance in the account
- Profit Liable for levy of 10% withholding tax
- Exempt from Zakat available as per rules
- Funds Can be utilized for sponsoring parents /spouse ,by overseas
- Pakistanis
- **Funds utilized by holding banks for :**
- Financing Documentary credit. Imports
- Purchase/discounting of foreign bills

Bank Account Types

- **Special Purpose Accounts**
- Description

 Special purpose accounts are established in Pakistan banks for the
 purpose of pooling funds receivable/received for specific uses,
 routed through;
 Collections
- Donations
- Utilized for facilitating/funding mass /public welfare projects chartered by the government or charity oriented Trust or other organizations
- Exempt from Govt Taxes, Zakat & similar levies
- .

Bank Account Types

- **Global interpretation of SPA**
- A Special Purpose Entity /Account , is a:
- **Legal entity, usually a limited of some type created to**
- **fulfill specific or temporary objectives.**
- **Typically used by companies to isolate the firm from financial risk.**
- **Hide debt** (inflating profits),
- **Hide ownership**, and
- **Obscure relationships** between different entities which are in fact related to each other

Bank Account Types

- Company transfers assets to the SPE for management or to finance a large project thereby achieving a narrow set of goals without exposing the entire firm to risk.
- Owned by one or more other entities
- Used in complex financings to separate different layers of equity infusion. Commonly created and registered in tax havens
- set up as 'orphan' companies with their shares settled on charitable trust and with professional directors provided by an administration company to avoid linkage connection with the sponsor.

Bank Account Types

- **Securitization:**
- Example, a bank may wish to issue a mortgage-backed security whose payments come from a pool of loans.
- To ensure that the holders of the mortgage-back securities have the first priority right to receive payments on the loans, these loans are legally separated from the other obligations of the bank, by creating an SPE, and then transferring the loans from the bank to the SPE.

Bank Account Types

- **Risk sharing**:
- Corporations may use SPEs to legally isolate a high risk project/asset from the parent company and to allow other investors to take a share of the risk.
- **Asset transfer**: Many permits required to operate certain assets (such as power plants) are either non-transferable or difficult to transfer.
- The SPE owns the asset and all the permits, which can be sold as a self-contained package, rather than assign numerous permits.

Bank Account Types

- **Financial engineering**:
- used in financial engineering schemes to avoid tax or manipulation of financial statements.
- Enron case is the most famous example of a company using SPEs to achieve the said goal.
- **Regulatory reasons**:
- Account can sometimes be set up within an orphan structure to avoid regulatory restrictions, such as nationality f ownership of specific assets

Bank Account Types

بِسْمِ اللهِ الرَّحْمٰنِ الرَّحِيْم

BANKING REGULATION ACT 1949

16TH MARCH 1949

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An Introduction:

- Till 1949, There was no separate Act for Banking in India. So it was controlled by Indian Companies Act 1956.

- The Central Banking Enquiry Committee recommended the need of a separate legislation to control banks due to mushroom growth of banks with inadequate capital, dishonest management, speculative business etc etc..

- Accordingly a bill was introduced in parliament in March 1948.

- It was Passed in parliament in February 1949 and **The Banking Regulation Act** 1949 came to exist from 16th March 1949.

IMPORTANT PROVISIONS OF ACT

1. Definition of Banking.
2. Form of Business.
3. Provision of Capital
4. Management
5. Maintenance of Liquid Assets.
6. Licensing of Banks.
7. Opening of New Banks.
8. Provision Regarding Loans and Advances.
9. Inspection of Banks.
10. Powers of the Reserve Bank of India.
11. Returns to Be Submitted.
12. Acquisition of Business.
13. Mergers/Amalgamations.
14. Winding up of Banking Companies.

DEFINITION OF BANKING

Banking:

Sec 5 (b) of the Act defines Banking as,

"Accepting for the purpose of lending or investment, of deposits of money from the public, repayable on demand or other wise, and withdrawable by cheque , draft, order or otherwise."

Banking Company:

Sec 5 (c) of the Act defines Banking as,

"A company which transacts the business of banking in India."

FORMS OF BUSINESS

Banks can only do the business which is mentioned u/s 5 (c) and 6 of the Act.
It consist of :-

1. **Main Functions/Business**.
2. **Subsidiary functions/Business**.

Main Functions/Business:

1. The borrowing , raising or taking up money.
2. The lending of money with or without security.
3. The granting and issuing of letters of credit or various kinds, travelers cheque etc.
4. Drawing, making, accepting, discounting, buying, selling, collecting, and dealing in bills of exchange, hundies, promissory notes, coupons etc.
5. Buying, selling, and dealing in bullion/species.
6. The buying and selling of foreign exchange including foreign bank notes.
7. The acquiring, holding, issuing on commission , underwriting and dealing in stock, funds, shares, debentures, bonds, securities, and investment of all kinds.
8. The purchasing and selling of bonds, scripts, and other forms of securities on behalf of constituents or others.
9. The negotiating of loans and advances.
10. The receiving of all kinds of loans, scripts or valuables or deposit or for safe custody or otherwise.
11. The providing of safe deposit vaults.
12. The collecting and transmitting of money and securities.

Subsidiary Functions/Business:

1. It may act as an agent of the government, local authority or person.
2. It may contract for public and private loans and negotiate and issue the same.
3. Effecting, insuring, guaranteeing, underwriting, and participating in managing and carrying out of any issue, public or private.
4. Carrying on agency business of any description.
5. Carrying on and transacting every kind of guarantee and indemnity business.
6. Managing, selling and realizing any property which may come into its possession in satisfaction of any of its claims
7. It may acquire hold and deal with any property or any right or title or interest in any such property which may form the security for any loan or advance.
8. It may undertake and execute trusts.
9. it can undertake the administration of estates as executor, trustee or otherwise.
10. It may establish, support and aid associations , institutions , funds , trusts etc for the benefits of its present and past employees and may grant money for charitable purposes.

11. It may acquire , construct and maintain any building for its own purposes.
12. It may sell , improve , manage , develop , exchange , lease , mortgage, dispose of or turn into account or otherwise deal with all or any part of the property and rights of the company.
13. It may acquire and undertake the whole or any part of the business of any person or company, when such business is of a nature described in section 6 of the Act.
14. It may do all such things which are incidental or conductive to the promotion or advancement of the business of the company.
15. Any other business specified by the central Government as the lawful business of a banking company.

KINDS OF BUSINESS CANNOT BE DONE

1. A bank **cannot carrying on trading activities.** (Sec 8)
2. It **cannot hold any immovable property** except for its own use exceeding 7 years.(Sec 9)
3. Prohibition of **employment of managing agents** and **restrictions on certain forms of employment .**(Sec 10)

PROVISIONS OF CAPITAL

1. **Banking Companies Incorporated In India.**
2. **Banking Companies Incorporated Outside India.**

INCORPORATED IN INDIA

1. If it has,
   a) A place of business in more than one state, should have an aggregate minimum paid up capital and reserves of Rs 5,00,000.

   b) Place or Places of Businesses in more than one state and any such place is or places of businesses are in Bombay or Calcutta or both should have an aggregate minimum paid up capital and reserves of Rs 10,00,000.

2. If it has all its business places in one state but none in Bombay or Calcutta-

   a) In Respect of the principal place of business it should have an aggregate of minimum paid up capital and reserves of Rs 1,00,000.

   b) in respect of each of its other places of business situated in the district of principal business Rs 10,000.

   c) in respect of each place of business situated elsewhere in the state outside the same district Rs 25,000. subject to an overall limit of 5,00,000.

3. If it has only one place business and that also not in Bombay or Calcutta, the aggregate value of paid up capital reserve should be Rs 50,000.
4. If it has all its places of business in one state, and one or more of which is or are situated in the city of Bombay or Calcutta, it should have an aggregate minimum paid capital and reserves of Rs 5,00,000, plus in respect of each place of business situated outside the city of Bombay or Calcutta Rs 25,000. Subject of an overall limit of Rs 10,00,000.

INCORPORATED OUTSIDE INDIA

1. If it has,
   a) A place of business in Bombay or Calcutta or Both, should have an aggregate minimum paid up capital and reserves of Rs 20,00,000.

   b) If it has No Place of Business in Bombay or Calcutta , should have an aggregate minimum paid up capital and reserves of Rs 15,00,000.

TYPES OF SHARES

Capital:

The capital of the company consist of only ordinary shares. It can pay dividend only after all its capitalized expenses are completely written off. The voting rights of the share holder shall not exceed 1 % of the total voting rights of all the share holders of the banking company.

Reserve Fund:

According to Sec 17 of the Act every banking company must, Before declaring dividend, transfer a sum not less than 20% of its net profit to a reserve fund until the amount of the reserve fund is equal to the paid up capital of the company.

MANAGEMENT OF BANKING COMPANY

Management:

According to Sec 10 A, it has to constitute the board of directors in such a way that not less than 51 % of the total number of members consist of,

a) have special knowledge or practical experience in Accountancy, agriculture , rural economy, banking, economics and law. At least 2 of them have in cooperation and small scale industry.

b) they shall not have any substantial interest or connection with anyone of any company or firm.

Any director of the company can hold the office continuously for the period not exceeding 8 years.

Chairman:

It should have a Director as its whole time or part time chairman of the banking company. He can hold the office for a period not exceeding 5 years.

PROVISION OF LIQUIDITY

Statutory liquidity ratio:

According to Sec 24, Every banking company in India is required to maintain cash, gold, or unencumbered approved security, valued at a price not exceeding the current market price and not less than 23 % of its time and demand liabilities.

Cash Reserve:

Sec 18 of the Act lays down that every banking company should maintain 4.25% of total of its time and demand deposits in the form of cash reserves with RBI.

Difference Between SLR and CRR:

SLR restricts the bank's leverage in pumping more money into the economy. On the other hand, CRR, or cash reserve ratio, is the portion of deposits that the banks have to maintain with the Central Bank to reduce liquidity in economy. Thus CRR controls liquidity in economy while SLR regulates credit growth in the Economy.

The other difference is that to meet SLR, banks can use cash, gold or approved securities whereas with CRR it has to be only cash. CRR is maintained in cash form with central bank, whereas SLR is money deposited in govt. securities.CRR is used to control inflation.

POWERS OF THE RESERVE BANK

1. Election of New Directors.
2. Maintaining Cash Reserves.
3. Power to issue license to new banks.
4. Power to cancel license.
5. Power to give permission for starting new branches.
6. Power of inspection.
7. Power to issue directions.
8. Power to control management.
9. Power to advice banks.
10. Power to call for information.
11. Power to grant moratorium.
12. Power to control advances.
13. Power to appoint liquidator.

LICENSING OF BANKS

- Every banking company in India should obtain a license from the RBI before commencing the business. It will grand license only after the detailed inspection considering so many factors.

- It should obtain prior permission from Reserve Bank of India for opening new place of business either in or abroad and also for changing the location.

ENTRY NORMS FOR PRIVATE BANKS

- Initial minimum paid up capital should be 200 Crore and have to be raised to 300 Crore within 3 years of commencement of Business.
- Promoters contribution should be minimum of 40% paid up capital, it will be locked for 5 years from the date of licensing.
- Initial capital other than promoters contribution could be raised through public issue or placement.
- While augmenting capital to Rs 300 Crore within 3 years, Promoters have to contribute at least 40 % of the fresh capital, which will also locked for 5 years.
- NRI participation in banks equity shall not be exceed than 40 %.
- No large industrial house can promote a new bank.
- NBFCs with good track record can become banks, subject to specified criteria.
- A minimum capital adequacy ratio of 10 % shall be maintained on a continuous basis from commencement of operations.
- Priority sector lending target is 40% of net bank credit as in case of other domestic banks. It is also necessary to open 25% of the branches in rural semi urban areas.

Return Filing

Banking Companies should submit returns to the RBI in prescribed form and manner as at the close of business on the last Friday of every month or just preceding day if that day is a public holiday.

Acquisition of Business

Sec 36 AE to 36 AJ provide for acquisition of banking companies by the central government on the recommendation of RBI. Before acquiring the banking company, the central government shall give a reasonable opportunity to the bank to explain their stand.

Mergers and Amalgamation

The scheme of Merging and Amalgamation is approved by the requisite majority of shareholders in accordance with the provisions of Section 44 A.

It shall be submitted to the Reserve Bank for sanction and shall, if sanctioned by the Reserve Bank by an order in writing passed in this behalf, be binding on the banking companies concerned and also on all the shareholders thereof.

Winding up of Business

A banking company can be wound up like any other company. Reserve bank will act as a liquidator of the banking company.

BANKING SECTOR REFORMS IN INDIA

Financial sector Reforms

To develop the financial sector especially banking sector in India, the government of India constituted a nine member team under the chairmanship of Sri.Narasimham (Former governor of RBI). The committee tabled their report in the parliament on 17th December 1991.

The objectives are:

1. To examine the existing structure of the financial system and its different components.
2. To suggest proposals for improving the efficiency and effectiveness of the existing system.
3. To review the existing supervisory arrangement relating to the various entities in the financial sector and make recommendations for make sure appropriate and effective supervision.
4. To evaluate the existing legislative structure and to suggest necessary amendments for implementing the recommendations.

Recommendations and Suggestions:

1. To have a strong banking system in the country, a four tire hierarchy consisting of 3 or 4 banks should be established. SBI should be at Top and Rural banks at Bottom.
2. Abolition of Branch Licensing and leaving the matter of opening and closing of the branches to the commercial judgment of individual banks.
3. Liberalizing the policy with regard to allowing foreign banks to open offices in India as branches or subsidiaries.
4. A phased reduction in the SLR to 25% over a Period of 5 Years.
5. A progressive reduction in CRR from its present high level.
6. Phasing out directed credit programs and redefinition of priority sector.
7. To achieve a minimum 4% capital adequacy ratio in relation to weighted assets by march 1993.
8. To adopt uniform accounting practices particularly in regard to income, recognition and provisioning against doubtful depts.
9. To Impart transparency to bank balance sheet and making full disclosures in them.
10. To deregulate interest rates so as to reflect emerging market conditions.

11. To set up Special Tribunals to speed up the process of recovery of loans.
12. Setting up one or more rural bank subsidiaries by public sector banks.
13. Speedy liberalization of capital market by removing restrictions on premia, dispensing with prior approval etc.
14. Supervision of merchant banks, mutual funds, leasing companies etc by separate agency set up by RBI.
15. Enactment of a separate legislation providing appropriate legal frame work for mutual funds and laying down prudential norms for such institutions.
16. A phased achievement of 8 % capital adequacy ratio as recommended by basic committee.

Effect of Recommendations and Suggestions:

1. **Reduction in SLR and CRR:**

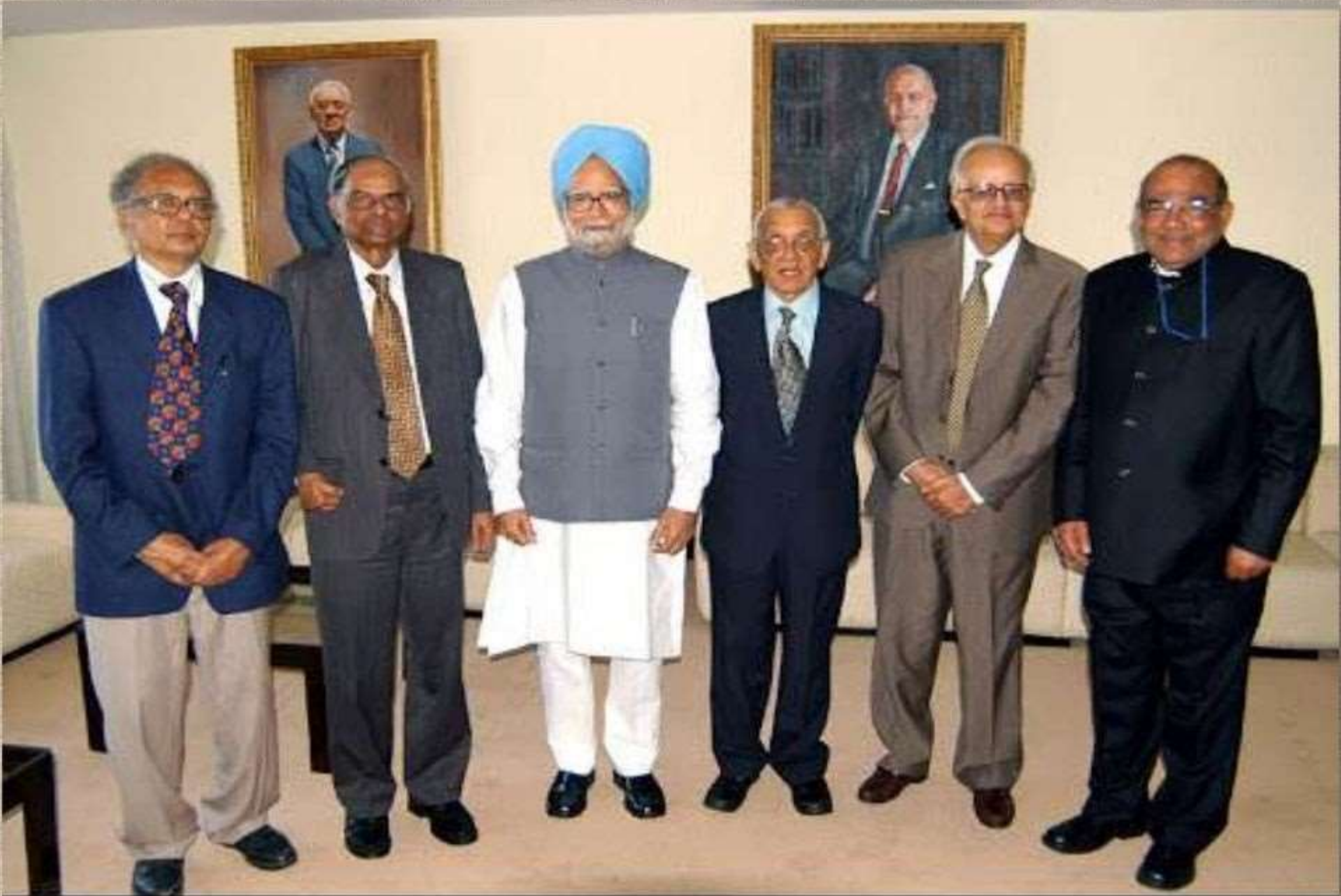
   The government announced its decision to reduce the SLR in stages over a three year from 39.5 % to 25% and to reduce the CRR over a four year period to the level less than 10.

2. **Interest Rate Policy:**

   The banks will have the freedom to set their interest rates. This type of deregulation of interest rate is implemented to stimulate healthy competition among banks and to encourage their operational efficiency.

3. **Prudential Accounting Standards:**

   A prudential system of income recognition, asset classification and provisioning of bad dept was introduced.



PRIME MINISTER WITH PAST AND PRESENT GOVERNORS (LEFT TO RIGHT) SHRI S. VENKITARAMANAN, DR. C. RANGARAJAN, DR. MANMOHANSINGH, SHRI M. NARASIMHAM, DR. BIMAL JALAN, DR. Y. V. REDDY

THANKS

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Financial Planning

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Contents

- Introduction to financial planning
- Meaning of financial planning
- Definition of financial planning
- Meaning of Financial Plan
- Objectives of financial planning
- Essentials/Characteristics of a sound financial plan
- Considerations in formulating financial plan
- Steps in financial planning
- Limitations of financial planning

• Introduction:

- Every business unit whether it is an industrial establishment, a trading concern or a construction company needs funds for carrying on its activities successfully.
- It requires funds to acquire fixed assets like machines, equipment, furniture etc. and to purchase raw materials or finished goods, to pay its creditors, to meet its day-to-day expenses, and so on. In fact, availability of adequate finance is one of the most important factors for success in any business.
- However, the requirement of finance, now-a-days, is so large that no individual is in a position to provide the whole amount from his personal sources.
- So the businessman has to depend on other sources and use various ways to raise the necessary amount of funds.
- Every businessman has to be very careful not only in assessing the firm's requirement of finance but also in deciding on the forms in which funds are raised and utilized.

Meaning of Financial Planning:

Planning is a systematic way of deciding about and doing things in a purposeful manner. When this approach is applied exclusively for financial matter, it is termed as financial planning.

- In other words, In connection with any business enterprise, it refers to the process of estimating a firm's financial requirements and determining pattern of financing. It includes deterring the objectives, policies, procedures and programmes to deal with financial activities.
- Thus, financial planning involves:

1. Estimating the amount of capital to be raised;
2. Determining the pattern of financing i.e., deciding on the form and proportion of capital to be raised;
3. Formulating the financial policies and procedures for procurement, allocation and effective utilization of funds.

•Definition of financial planning:

In simple words Financial Planning can be defined as "the process of estimating the capital required and determining it's composition. It is the process of framing financial policies in relation to procurement, investment and administration of funds of an enterprise."

- **According to Cohen and Robbins Financial planning should:** Determine the financial resources require to meet the company's operating programme. Forecast the extent to which these requirements will be met by internal generation of funds and the extent to which they will be met from external sources. Develop the best plans to obtain the required external funds. Establish and maintain a system of financial control governing the allocation and use of funds. Formulate programmes to provide the most effective profit-volume-cost relationship. Analyze the financial results of operations Report facts to the top management and make recommendations on future operations of the firm.

- **Meaning of Financial Plan:**

- A financial plan is a statement estimating the amount of capital requirements and determining its composition. It emphasizes on the following aspects-How much fund is require? When the fund is require? How the fund should be raised? How to use the funds?

• Objectives of Financial Planning:

1. **Determining capital requirements-** This will depend upon factors like cost of current and fixed assets, promotional expenses and long- range planning. Capital requirements have to be looked with both aspects: short- term and long- term requirements.
2. **Determining capital structure-** The capital structure is the composition of capital, i.e., the relative kind and proportion of capital required in the business. This includes decisions of debt- equity ratio- both short-term and long- term.
3. **Framing financial policies** with regards to cash control, lending, borrowings, etc.
4. A finance manager **ensures that the scarce financial resources are maximally utilized in the best possible manner** at least cost in order to get maximum returns on investment.

• Importance of Financial Planning:

- Financial Planning is process of framing objectives, policies, procedures, programmes and budgets regarding the financial activities of a concern. This ensures effective and adequate financial and investment policies. The importance can be outlined as-

1. Adequate funds have to be ensured.
2. Financial Planning helps in ensuring a reasonable balance between outflow and inflow of funds so that stability is maintained.
3. Financial Planning ensures that the suppliers of funds are easily investing in companies which exercise financial planning.
4. Financial Planning helps in making growth and expansion programmes which helps in long-run survival of the company.
5. Financial Planning reduces uncertainties with regards to changing market trends which can be faced easily through enough funds.
6. Financial Planning helps in reducing the uncertainties which can be a hindrance to growth of the company. This helps in ensuring stability an d profitability in concern.

- **ESSENTIALS/ CHARACTERISTICS OF A SOUND FINANCIAL PLAN**
  - While preparing a financial plan for any business unit, the following aspects should be kept in view so as to ensure the success of such exercise in meeting the organisational objectives.

(a) **The plan must be simple.** Now-a-days you have a large variety of securities that can be issued to raise capital from the market. But it is considered better to confine to equity shares and simple fixed interest debentures.

(b) **It must take a long term view.** While estimating the capital needs of a firm and raising the required funds, a long-term view is necessary. It ensures that the plan fully provides for meeting the capital requirement on long term basis and takes care of the changes in capital requirement from year to year.

(c) **It must be flexible.** While the financial plan is based on long term view, one may not be able to properly visualise the possible developments in future. Not only that, the firm may also change its plans of expansion for various reasons. Hence, it is very necessary that the financial plan is capable of being adjusted and revised without any difficulty and delay so as to meet the requirements of the changed circumstances.

(d) It must ensure optimal use of funds. The plan should provide for raising reasonable amount of funds. As stated earlier, the business should neither be starved of funds nor have surplus funds. It must be strictly need based and every rupee raised should be effectively utilised. There should be no idle funds.

(e) The cost of funds raised should be fully taken into account and kept at the lowest possible level. It must be ensured that the cost of funds raised is reasonable. The plan should provide for a **financial mix** (combination of debt and equity) that is most economical in terms of cost of capital, otherwise it will adversely affect the return on shareholders' funds.

(f) Adequate liquidity must be ensured. Liquidity refers to the ability of a firm to make available the necessary amount of cash as and when required. It has to be ensured in order to avoid any embarrassment to the management and the loss of goodwill among the investors. In other words, the investment of funds should be so planned that some of these can be converted into cash to meet all possible eventualities.

Steps in Financial Planning

Whether the business is big or small, existing or a new business, this function has to be performed. At the time of promotion, this function is performed by the promoter.

1. ***Establishing objectives :***

- Business enterprise operate in a dynamic society and in order to take advantage of the changed economic conditions, financial planning should establish both short-term and long run objectives.
- Financial objective of any business enterprise is to employ capital in whatever proportion necessary to increase the productivity of remaining factors of production over the long run.
- The long run goal of any firm is to use capital in correct proportion. The financial objective should be clearly defined.
- The concern should take advantage of prevailing economic situation.

2. *Formulating financial policies :*

- Financial policies are guides to all action which deals with procuring, administrating and distributing the funds of business firms. These policies may be classified into several broad categories:

(a) Policies governing the amount of capital required by the firm to achieve their financial objectives.
(b) Policies to achieve and determine control by the parties who furnish the capital.
(c) Policies which act as a guide in the use of debt or equity capital.
(d) Policies which guide management in the selection of sources of funds.
(e) Policies which govern credit and collection activities of an enterprise. These should be clear cut plans of raising the required funds and their possible uses. The current and future needs for funds should be considered in the financial plans.

3. ***Forecasting :***

- A fundamental requisite is the collection of facts.
- However, where financial plans concern the future and facts are not available, financial management is required to forecast the future in order to predict the variability of factors influencing the type of policies the enterprise formulates.
- This involves a thorough study of the company's past performance to identify trends.
- These trends are projected into the future and modified taking into account events or trends expected to occur in the future.

4. ***Formulation of Procedures :***

- Financial planning are broad guides which to be executed properly, must be translated into detailed procedures.
- If a policy is to raise short-term funds from banks, then a procedure should be laid to approach the lenders and the persons authorized to initiate such action.
- Financial planning is the work of top management.
- Financial planning is a part of a larger planning process in an organization.

5. *Providing for flexibility :*

- The financial planning should ensure proper flexibility in objectives, policies and procedures to adjust according to the changing economic situations.
- The changing economic environment may offer new opportunities.
- The business should be able to make use of such situations for the benefits of the concern.
- A rigid financial planning will not let the business use new opportunities.

Financial Planning Process:

- The financial planning process is a logical, six-step procedure:

Step 1: Determine Current Financial Situation

Step 2: Develop Financial Goals

Step 3: Identify Alternative Courses of Action

Step 4: Evaluate Alternatives

Step 5: Create and Implement a Financial Action Plan

Step 6: Reevaluate and Revise Plan

• Basic Considerations:

Every concern had to formulate a financial plan that would suit the specific circumstances in which it is operating. A concern should bear in mind certain considerations or principles while formulating or devising its financial plan :

1. ***Simplicity of purpose :*** Financial plan should be drafted in terms of the purpose for which the enterprise is organized. It should contain a simple financial structure that can be implemented and managed easily and understood clearly by all. In short the number of securities should be the minimum possible.

2. ***Optimum use or intensive use :*** A wasteful use of capital is almost as bad as inadequate capital. A financial plan should be such that it will provide for an intensive use of funds. Funds should not remain idle nor should there be any paucity of it. The financial planners should keep in view the proper utilization of funds in the context of overall objective of maximization of wealth. Again they should see that there is a proper balance in maintenance between long-term and short-term funds, since the surplus of one will not be able to offset the shortage of the other.

3. *Based on clear-cut objectives :* Financial planning should be done by keeping in view the overall objectives of the company. It should aim to procure funds at the lowest cost so that profitability of the business is improved.

4. *Long-term view :* Financial planning should be formulated keeping in view the long-term requirements and not just the immediate or short-term requirements of the concern. This is because financial planning originally formulated would continue to operate for a long time after the formation of the concern.

5. *Flexibility :* The financial planning should be such that it can be modified or changed according to the changing needs of the business with minimum possible delay. There may be scope for raising additional funds if fresh opportunities occur. Flexibility in a plan will be helpful in coping with the demands of the future. Management should be ready to revise or completely change the firm's short-run objectives, policies and procedures in order to take advantage of changing conditions.

6. *Planning foresight :* Foresight is essential for any plan of business operations so that capital requirements may be assessed as accurately as possible. Accurate forecasts are required to be made regarding the future scope of operations of the concern, technological developments, etc. The making of accurate forecasts require foresight on the part of financial planners. A financial plan visualized without foresight may fail to meet the present as well as the future requirements of funds and bring disaster to the concern.

7. *Financial contingencies :* The financial planning should make adequate provisions of funds for meeting the contingencies likely to arise in the future. This principle does not mean that large amount of funds should be kept idle as reserves for unforeseen contingencies. It simply means that while formulating the financial plans, the financial planners should make proper forecasts of the contingencies likely to arise in the future and make adequate provisions for funds for meeting the future contingencies.

8. *Solvency \ Liquidity :* The plan should take proper care of solvency because many of the companies have failed by reason of insolvency. There should be adequate liquidity in the financial plans. Liquidity means the availability of cash for the concern whenever required, for making payments on dates when they are due. This will ensure credit worthiness and goodwill to the concern and funds become available to it on very reasonable terms. It acts as a shock absorber in the event of business operations deviating from the normal course. It gives the financial plan a certain degree of flexibility. Above all, it will help in avoiding embarrassment to the management and a loss of reputation of the concern in the eyes of the public. Proper forecasting of future payments will be helpful in planning liquidity.

9. *Profitability :* A financial plan should maintain the required proportion between fixed charge obligations and the liabilities in such a manner that the profitability or the organization is not adversely affected. The most crucial factor in financial planning is the forecast of sale, for sales almost invariably represent the primary source of income and cash receipts. Besides, the operations of a business are geared to the anticipated volume of sales.

10. *Economy :* The financial plan should also ensure economy. It should ensure that the cost of raising funds is minimum. This is possible by having a proper debt-equity mix in the capital structure. The cost of capital is an important element in the formulation of a financial plan. An excessive burden of fixed charges on its earnings might inflate its cost of capital.

11. *Conservative :* A financial plan should be conservative, in the sense that the debt capacity of the plan should not be exceeded.

12. *Varying risks :* The financial plan should provide for ventures with varying degrees of risks so that it might enable a company to achieve substantial earnings from risky ventures.

13. *Practical :* A plan should be such that it should serve a practical purpose. It should be realistic and capable of being put to use.

14. *Availability :* The source of finance which a corporation may select, may be available at a given point of time. If certain sources are not available, the corporation may even prefer to violate the principle of suitability. Availability sometimes bears no relation to cost. A corporation cannot always choose its source of funds. Availability of different kinds of funds often plays an important part in a firm's decision to use a debt or equity. This aspect may be considered while formulating a plan.

15. *Investor's preference or temperament :* Preferences of investors are different. Some who are bold and venturesome prefer equity shares. Some investors who are cautious go for debentures. As such, the financial plan should keep in mind the temperament or the preference of investors, i.e. the financial plan should be formulated in accordance with preferences of investors.

16. *Timing :* A sound financial planning involves effective timing in the acquisition of funds. The key to effective timing is correct forecasting. This would depend upon the understanding of the management as to how business cycles behave during different phases of business operations.

17. *Communication :* With outside parties including investors and other suppliers of funds, communication is an essential prerequisite. The outside parties would then know that the management is trying to control its business effectively and what it is doing.

18. *Implementation :* A firm should see to it that plans are actually carried out. The data should be available at any level in detail and in certain frequency. This would enable a firm to take timely and corrective action whenever necessary.

19. *Control :* The capital structure of a firm may be such as to ensure that control does not pass in the hands of outsiders. For this purpose the use of debt financing may be encouraged. However stock should be broadly distributed to facilitate the maintenance of control.

20. *Less dependence on outside sources :* Long-term financial planning should aim to reduce dependence on outside sources. This can be possible by retaining a part of profits for ploughing back. The generation of own funds is the best way of financing operations. In the beginning, outside funds may be a necessity but financial planning should be such that dependence on such funds may be reduced in due course of time.

21. *Nature of industry :* The needs for funds are different for various industries. The asset structure, element of seasonality, stability of earnings, are not common factors for all industries. These variables will influence or determine the size and structure of financial requirements.

22. *Standing of the concern :* This will influence a decision about the financial plan. The goodwill of the concern, credit rating in the market, past performances, attitude of the management are some of the factors which will be considered in formulating a financial plan.

23. *General economic conditions :* The prevailing economic conditions at the national level and international level will influence a decision about financial plan. These conditions should be considered before taking any decisions about sources of funds. A favourable economic environment will help in raising funds without any difficulty. On the other hand, uncertain economic conditions may make it difficult for even a good concern to raise sufficient funds.

24. *Government control :* The government policies regarding issue of shares and debentures, payment of dividend and interest rates, entering into foreign collaborations, etc. will influence a financial plan. The legislative restrictions on using certain sources, limit of dividends, etc. will make it difficult to raise funds. So Government controls should be properly considered while selecting a financial plan.

• Limitations of Financial Planning

1. *Difficulties in forecasting :* Plans are decisions and decisions require facts about the future. Financial plans are prepared by taking into account the expected situations in the future, which is always uncertain. Since future conditions cannot be forecasted accurately, the adaptability of planning is seriously limited. One way to offset the limitation is to improve forecasting techniques. Another way to overcome this limitation is to revise plans periodically. The development of variable plans, which take changing conditions into consideration, will go a long way in eliminating this limitation.

2. *Difficulty in change :* Another serious difficulty in planning is the reluctance or inability of the management to change a plan once it has been made, for several reasons. Assets may have to be purchased again, raw materials and cost may have to be incurred.

3. *Rapid change :* The growing mechanism of industry is bringing rapid changes in industrial processes. The methods of production, marketing devices, consumer preferences, create new demand every time. The incorporation of new changes require a change in financial plan every time. Once investments are made in fixed assets, then these decisions cannot be reversed. It becomes very difficult to adjust the financial plan for incorporating fast changing solutions. Unless a financial plan helps the adoption of new techniques, its utility becomes limited.

4. *Problem of coordination :* Financial functions is the most important of all functions. Other functions also influence a decision about financial plan. While estimating financial means, production policy, personnel requirements, marketing possibilities are all taken into account. Unless there is proper coordination among all the functions, preparing of financial plan becomes difficult. Often there is a lack of coordination among different functions. Even indecision among personnel disturbs the process of financial planning.

E-Banking

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ANJAC

Syllabus

Objective(s): to acquire knowledge about Hi-Tech Banking systems in India.

Unit –V:E-banking

E-Banking: Meaning – Services – Benefits – risk and its management. Internet Banking: Meaning – drawbacks and issues. . Mobile banking : Meaning and features, Telephone Banking: Meaning – features and drawbacks, ATM: Meaning – features Mechanism and functions.

Self Study

To be include

Agenda Style

1

E-Banking

Meaning, services, benefits , risk and its management.

2

Internet Banking

Meaning, drawbacks and issues.,

3

Mobile Banking

Meaning nd features

4

Telephone Banking

Meaning – features and drawbacks

5

ATM

Meaning, features, mechanism and functions

Unit V
E-Banking

E-Banking

Electronic Fund Transfer

Electronic Banking

the use of electronic means to transfer funds directly from one account to another, rather than by cheque or cash

E-Banking

Definition

Electronic Banking

the provision of banking services through electronic means, and the customer can access the data without any time and geographical limitation.

E-Banking

Providing banking products and services through electronig delivery channels

Services

Services of E-Banking

Round the clock banking

The electronic terminals that allow round the clock access to banking services

Point of Sale Transfers

Facilitates payments for purchases with a debit card

Direct Deposit

Make possible to direct deposit of cheqes to the account on a regular basis.

E-cheques

Electronic cheque conversion converts a paper cheque into an electroni payment

Benefits

Benefits of Electronic Banking

For Banks

Benefits of E-banking in favour of Banks

01

02

For customers

Benefits of E-banking in favour of customers

E-Banking
Benefits

Benefits for the Bankers

Price

saves money by not paying for tellers or for managing branches and makes cheaper transactions.

Customer Base

Reaches a whole new market by creating a customer base.

Efficiency

Increases the efficiency than the productivity.

E-Banking

Benefits

Customer Service

In the long run a bank can save on money by not paying for tellers or for managing branches

Image

A bank seems more state of the art to a customer

Benefits for the Bankers

Customer satisfaction

The person does not have to go to a branch where that service may or may not be offer.

E-Banking
Benefits

Bill Pay
allows the customer to set up bill payments to just about anyone

Convenience
the Customers can, Buy and Sell Securities, Check Stock Market Information etc., and avoid going to an actual bank

Benefits for the customer

Better knowledge
Knowledge on the bank transactions

E-Banking
Benefits

Benefits for the customers

Transaction cost
The best benefit is that Internet banking is free

Account Management
Check Balances, check the clearance, Transfer Money, View Transaction History

SWADHAN
Access to virtual services in locations

E-Banking Risk

A probability or threat of damage, injury, liability, loss, or any other negative occurrence that is caused by external or internal vulnerabilities, and that may be avoided through preemptive action.

Risk and its Management

Strategic Rik

The process of identifying, assessing and managing the risk in the organization's business strategy.

Operational Risk

Probability of loss occurring from the internal inadequacies of a firm or a breakdown in its controls, operations, or procedure. .

Reputational Risk

a threat or danger to the good name or standing of a business or entity

E-Banking
Risk

A probability or threat of damage, injury, liability, loss, or any other negative occurrence that is caused by external or internal vulnerabilities, and that may be avoided through preemptive action.

Risk and its Management

Legal Risk

the **risk** of financial or reputational loss that can result from lack of awareness or misunderstanding of, ambiguity in, or reckless indifference to, the way law and regulation apply to your business

Foreing Exchange Risk

a financial **risk** that exists when a financial transaction is denominated in a **currency** other than that of the base **currency** of the company

Other Traditional Banking Risk

the **risk** of losses that result from the inability of the **bank's** clients or other stakeholders.


Internet Banking

Internet Banking

Meaning
In narrow sense: the setting of a web-page by a bank to give information about its products and services.

In broad sense: it involves provision of facilities such as accessing accounts, fund transfer, and buying financial products or services online.

"Transactional Online Banking"

the use of internet as a delivery channel for the banking services

Online Banking: A Tour

Evolution of Online Banking

Timeline : Online Bankig

Evolution of Internet Banking

Home Banking
Became popular in the late 1980s & introduces the Online Banking

1980s

1981

New York
CItibank,
Chase Manhattan
Chemical and
Manufacturers Hanover

Clikcs and Brick
When the clicks-and-bricks euphoria hit in the late 1990s

1980–90s

1996

Net Banks
Branchless Bank founded in 1996 and closed in 2007

Standing Practice
Online banking became the practice of ordinary business

2018

Drawbacks and Issues

a feature that renders something less acceptable

Drawbacks and issues of Internet Banking

Technology Issues
online bank is only as good as your — or their — internet connection.

Security Issues
someone gains unauthorized access to your account via a hacked or stolen password or log-in credentials..

Complex Transactions
Online banks might be able to transfer money between accounts or pay bills, but the countries are having different currencies

Drawbacks and Issues

a feature that renders something less acceptable

Drawbacks and issues of Internet Banking

No Relationship With Personal Banker

handed off to an anonymous customer service agent who is unlikely to know you from the next customer.

Inconvenient to Make Deposits

it hard for customers to make deposits


Mobile Banking
Savings
>

Mobile Banking

the use of a smartphone or other cellular device to perform online banking tasks

Device
Mobiles or Tablets

Uses
SMS,
mobile apps or
website

Fund transfer
Through NEFT or
RTGS

Functions
Limited

Mobile Banking

an internet based facility provided by banks that enables the customers to execute bank transactions, via cellular devices

Internet Banking

a service that allows the customers to conduct the financial transactions electronically, with the use of internet

Mobile Banking

salient features of mobile banking

24/7 availability

Secure login

Accessibility

Glanceable account balance and transaction history

Receive alerts and notifications


Telephone Banking

Telephone Banking

Telephone Banking

a service provided by a bank or other financial institution, that customers enable to perform the range of their financial transactions over telephone, which do not involves cash or documents (such as cheques), and without the need to visit a bank branch or ATM.

Timeline : Phone Bankig

Evolution of Phone Banking

1980s

Girobank

first introduced in the United Kingdom

1984

Establihment

a dedicated telephone banking service

1980s & 1990s

Direct Banks

heavily used by the first generation

2000

Online Bank

the development online banking started a long term decline in the use of telephone banking

2010

Advent of Online Banking

eroded the use of telephone banking

Features of Telephone Bankig

Telephone Banking

Caller Identification
calls are automatically recognized

International call prioritization
automatically identified and prioritized

Dynamic Card activation
IVR provides instant card activation

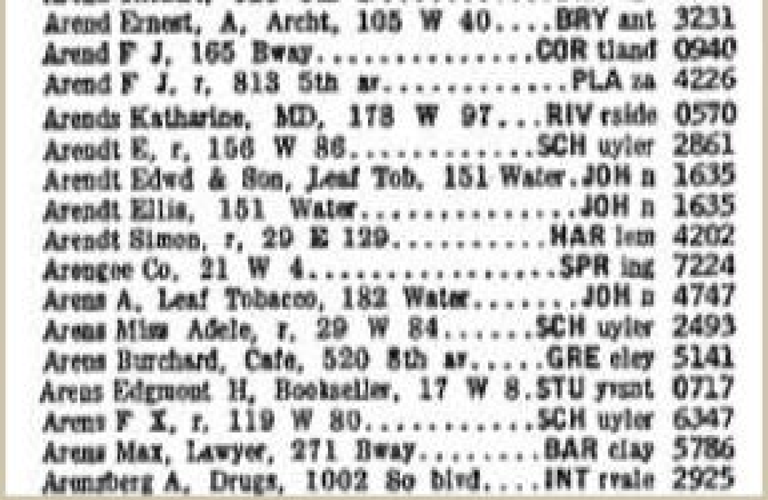
Card PIN Change
Change your Credit and Debit Card

IBAN SMS
Receive your IBAN number via SMS

Drawbacks and Issues

a feature that renders something less acceptable

Drawbacks and issues of Telephone Banking



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Arend F J, 165 Bway..............COR tland 0940
Arend F J, r, 813 5th av............PLA za 4226
Arends Katharine, MD, 178 W 97...RIV rside 0570
Arendt E, r, 156 W 86...........SCH uyler 2861
Arendt Edwd & Son, Leaf Tob, 151 Water.JOH n 1635
Arendt Ellis, 151 Water.............JOH n 1635
Arendt Simon, r, 29 E 129..........HAR lem 4202
Arengee Co, 21 W 4..................SPR ing 7224
Arens A, Leaf Tobacco, 182 Water.......JOH n 4747
Arens Miss Adele, r, 29 W 84......SCH uyler 2493
Arens Burchard, Cafe, 520 8th av.....GRE eley 5141
Arens Edgmont H, Bookseller, 17 W 8.STU yvnt 0717
Arens F X, r, 119 W 80..........SCH uyler 6347
Arens Max, Lawyer, 271 Bway........BAR clay 5786
Arensberg A, Drugs, 1002 So blvd....INT rvale 2925

Ex-Directory Numbers
telephone number is excluded from any paper or online directory .

Security Issues
take the time to listen to us and help us

Call Diverting
the call is then diverted to another number although they are never told

ATM

John Shepherd-Barron

1960

Automatted Teller Machine
Automated Banking Machine
Cash Point
Cash Mechine
Mini Bank
Cashline
Nibank
Tyme machine
bancomat

ATM

Automated Teller Machine

ATM: World’s First

In 1961, the Bankograph was installed in New York City

the first cash machine was put into use by Barclays Bank, Enfield Town Branch, North London, United Kingdom.

27, June 1967

Actor Reg Varney was the first person and who inaugurated the ATM

Automatted Teller Machine

an electronic computerised device that allows banks customers to directly use a secured method of communication to access their bank accounts.

ATM

Cash Point

ATM: India’s First

First ATM in India was introduced in the year 1987

ICICI is the first bank to provide mobile ATM

1987

India’s ATM was established in Mumbai

Features of ATM

Advantages of ATM

E-Banking in India

E-Banking in INdia

E-Banking

ICICI

Mobile Banking

ICICI

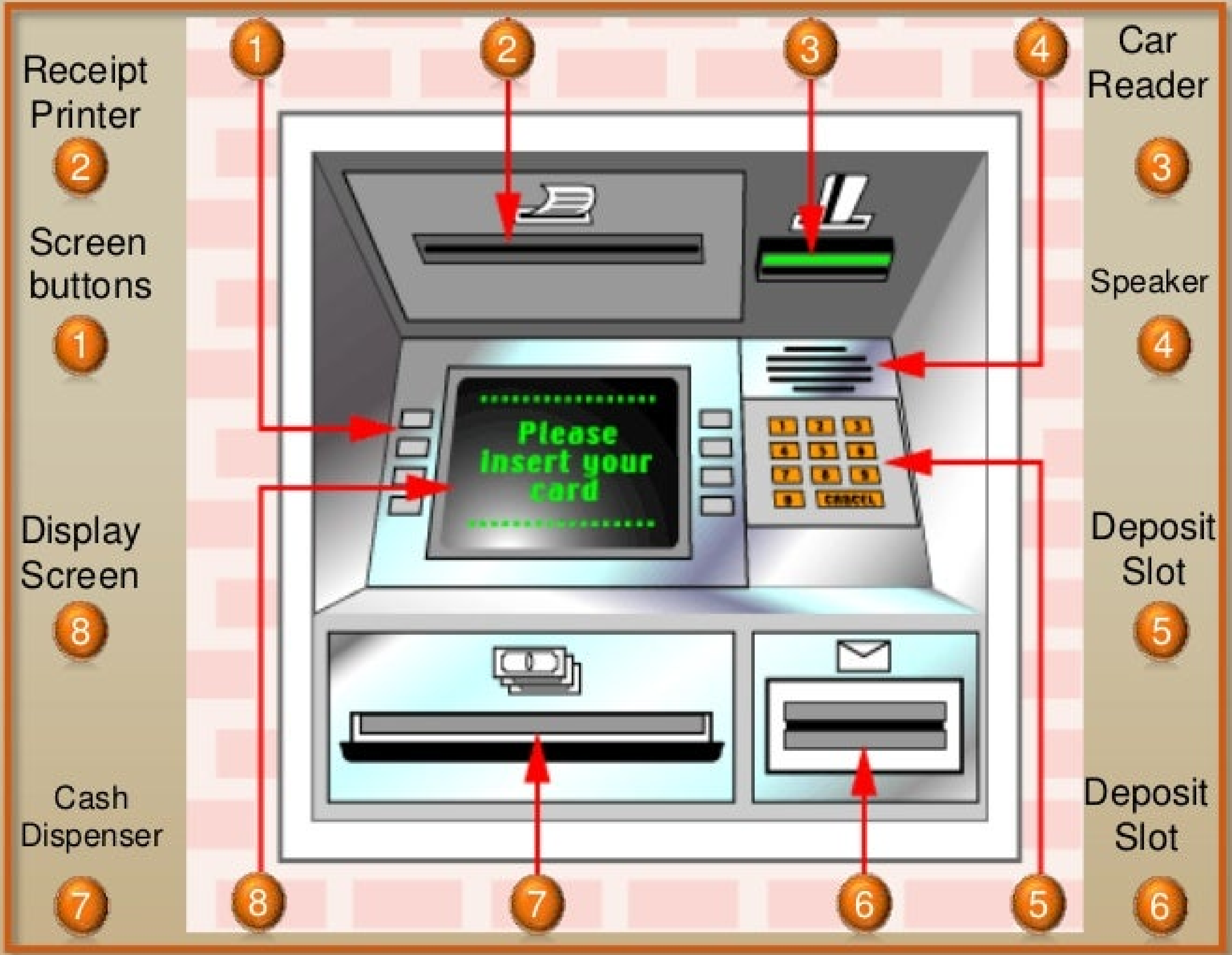
Telephone Banking

1987

ATM

HSBC

Functions of ATM



ATM in India

According to RBI

01 the total number of ATMs in the country is 2,13,004 (August, 2018)

02 Of these, 98,349 belong to the public sector banks and State Bank of India Group

03 Private sector and foreign banks together have installed 41,800 ATMs

04 The remaining 1,150 ATMs are of small, co-operative or rural banks.

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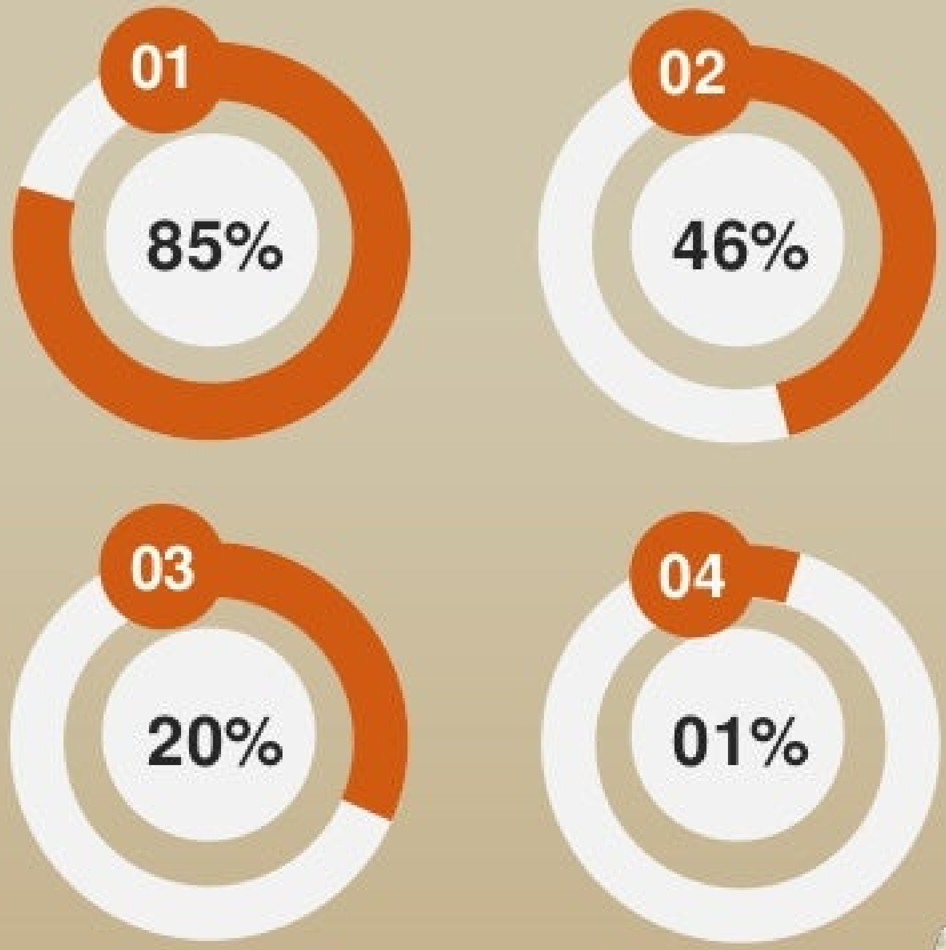

Know the Facts

First in India

Bank of India - The first Indian bank to open overseas branch.
It established a branch in London in 1946.

Allahabad Bank - The oldest existing Public Sector Bank in India

Central Bank of India - The first Indian commercial bank owned and managed by Indians
.

Union Bank of India (UCO) bank- was inaugurated by Mahatma Gandhi in 1919.

Canara Bank - The first bank in India with an ISO Certification

Know the Facts

First in India

1969 - The first time banks were nationalized in India

1784 - Bengal Bank, the first bank established, introduced cheque system

1833 - Savings account system in India was started by Presidency Bank

1935 - The Reserve Bank of India was instituted.

Know the Facts

First in India

Osborne Smith - First governor of the Reserve Bank.

CD Desmukh - First Indian to be the governor of RBI

.

ICICI Bank - First Indian bank to provide internet banking

.

Central Bank of India - First public bank introduced Credit card.
ICICI Bank - First bank to provide mobile ATM.

Thank you

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