

Financial institutions and services

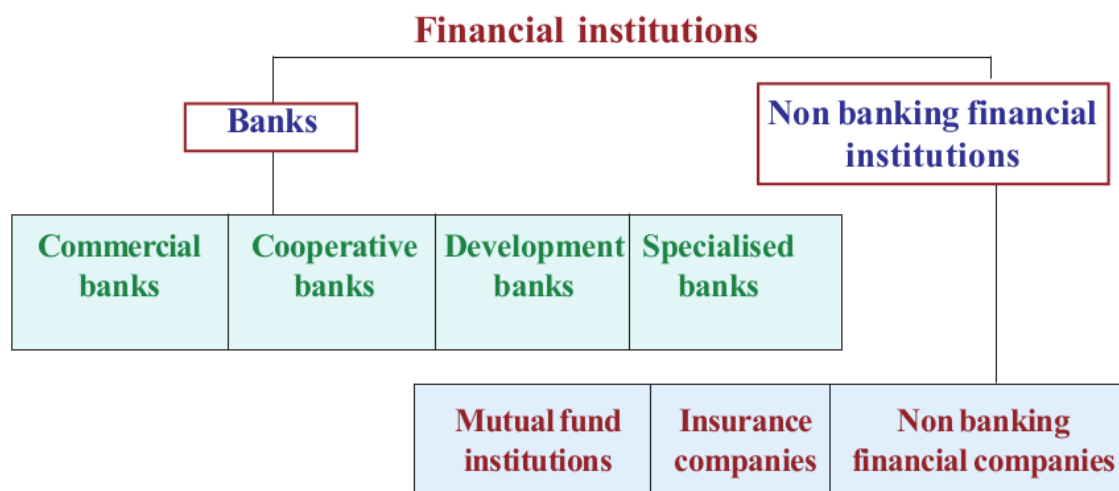
Functions of Reserve Bank of India

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Printing of currency	All currencies except the one rupee note are printed by the Reserve Bank of India. The one rupee note and its subsidiary coins are issued by the Central Finance Department.
Controlling credit	This is made possible by bringing about changes in the rate of interest. As rate of interest increases, volume of loans decreases and vice versa.
Banker to government	As a banker to the government, the Reserve Bank of India accepts deposits from the government, sanctions loans and renders other banking services to them.
Banker's bank	The Reserve Bank is the apex bank of all banks. To advise and assist all banks in their operations is a function of the Reserve Bank. It acts as a last resort to all banks in their financial matters.

Financial institutions

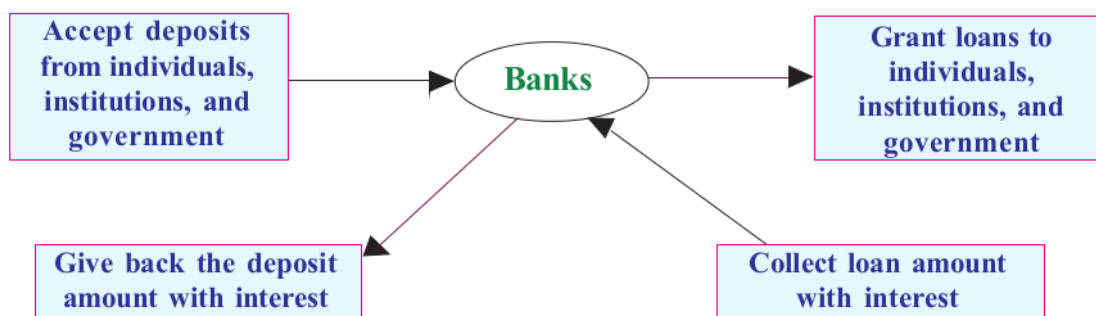
Financial institutions are those institutions where financial transactions like deposits, loans etc. take place.



Banks

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Banks are institutions that accept deposits from the public and grant loans to the needy subject to conditions. They operate on the basis of the general guidelines and conditions set by the Reserve Bank of India.



The main revenue of the banks.

The rate of interest on loans will be higher than the rate of interest given for deposits. The difference between these interests is the main revenue of the banks

Growth of banks in India

1770 to 1969	1969 to 1990	1991 onwards
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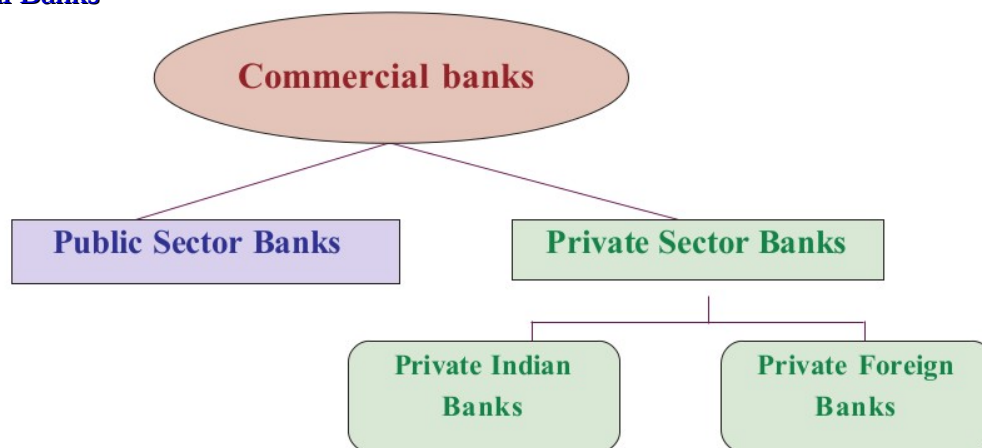
Third phase features

banks started rendering services, other than their basic functions. There were several banking reforms which helped in quick and time saving services, ease of procedure, etc. Introduction of Automated Teller Machines (ATM), credit card, phone banking, net banking, core banking, etc. are the results of the third phase of development.

New generation banks.

The private banks which received license during this period introduced new and innovative functions at a much quicker pace.

Commercial Banks



Private Sector Banks

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Private Indian commercial banks and private foreign commercial banks are owned by private individuals. They also operate under the control of the Reserve Bank of India.

Private foreign commercial banks are those banks which have registered in India but have headquarters in a foreign country.

Function of Commercial Banks

Accepting deposits	Providing loans	Other facilities and services provided by banks
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Deposits

Savings Deposit	Current Deposit	Fixed Deposit	Recurring Deposit
public to deposit their savings provide low interest rate withdraw the money from the deposit, subject to restrictions stated in the passbook	depositing and withdrawing money many times in a day used mainly by traders and industrialists. not receive any interest. Overdraft	for a specific period of time interest rate is calculated on the basis of the time period high interest Fixed deposit certificate is a collateral	deposits receive a specific amount every month for a specified period of time. The interest rate of recurring deposits will be higher than that of saving deposits but less than that of fixed deposits.

Providing loans

cash credit	Overdraft
The loans given to individuals and institutions	This is an opportunity for a customer to

by accepting by collaterals are called cash credit.	withdraw money over and above the balance in his/her account. This facility is provided to individuals who have frequent transactions with the bank.
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Collaterals

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Physical assets - gold, property documents, etc.	Fixed deposit certificates	salary certificates
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Purposes for providing cash credit

Agricultural purposes	Constructing houses	Purchasing home appliances
Industrial purposes	Purchasing vehicles	Education

Other facilities and services provided by banks

locker facilities	Mail transfer	ATM
Demand draft	Telegraphic transfer	Credit card facility

Banks provide services like the payment of insurance premium, telephone and electricity bills, and rendering services like mobile recharging, booking journey tickets, etc. Some of the transactions of the government which were once operated only through the treasuries are now done through banks. Service pension is also disbursed through banks.

Electronic banking (E- Banking)

Availing banking services has been made easy by computerisation and the availability of ATM facility. Electronic banking is a method by which all transaction can be carried out through net banking and tele banking. Any time banking, anywhere banking, net banking, mobile phone banking, etc. are part of electronic banking.

How is E- Banking helpful?

Saves time	Low service charge	Money can be sent and bills can be paid anywhere in the world from home
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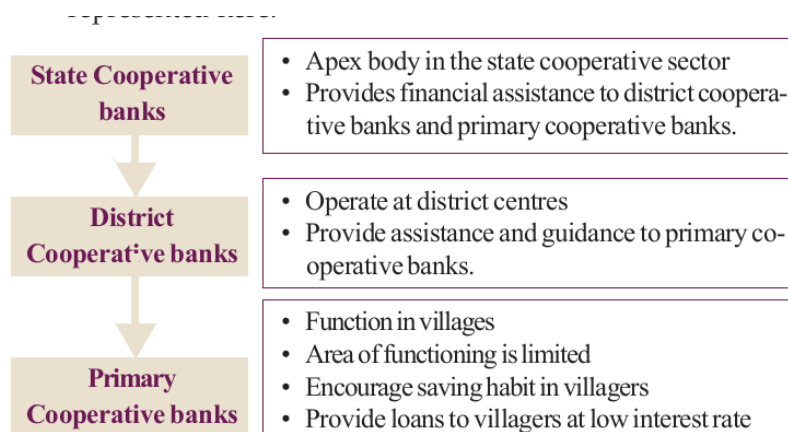
Core banking (Centralised Online Real-time Exchange Banking)

Core banking is the facility which is arranged in such a way that the branches of all banks are brought under a central server so that banking services from one bank to another is made possible. As a result, ATM, debit card, credit card, net banking, tele banking, mobile banking, etc have been brought together.

Transactions have become simple.

An individual can send money from his bank account to his friend's account elsewhere.

Co-operative Banks



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Co-operative Banks

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Co-operation, self help and mutual help
<ul style="list-style-type: none">• Provide loans to the public.• Protect the villagers from private money lenders• Provide loans at low interest rate• Encourage saving habit among people

Development banks

These banks provide long term loans for various needs such as modernisation of industries. Now, these banks provide loans to agriculture and trade sectors.	
<ul style="list-style-type: none">• Work as an agent that helps in the development of different sectors (agriculture, industry, trade, ...).• Provides loans for construction of house, small scale industry, and basic infrastructure development. <p>The Industrial Finance Corporation of India (IFCI)</p>	
Bharathiya Mahila Bank	Women empowerment is India's empowerment'.

Payment banks features

<ul style="list-style-type: none">• Accept deposits upto only one lakh rupees from individuals.• Provide interest on deposits as specified by the Reserve Bank of India.• Do not provide loans• Charge a specific fee as commission for bank transactions.• Only debit cards will be provided.	
MUDRA Bank	financial help to small scale entrepreneurs and micro finances.

Non Banking Financial Institutions

These institutions work in the financial sector but do not perform all the functions of a bank. They do basic functions such as accepting deposits, lending loans, etc. whereas some services like withdrawal of cash by cheque, mail transfer, lockers are not provided.

Non Banking Financial Companies' services

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<ul style="list-style-type: none">• Provide loans for hire purchases• Provide loan for construction of house• Provide gold loan• Provide loan on the basis of fixed deposits• Running chitty• Kerala State Financial Enterprises (KSFE) is the major non banking financial company operating in Kerala.
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Mutual Fund Institutions

Mutual fund is a mode of investment. Common man is not always able to invest in the share market directly. This limitation can be overcome through mutual fund. Money is collected from various investors and is invested in share markets, debentures, etc. The profit or loss from this is distributed among the investors.
Unit Trust of India (UTI), Life Insurance Corporation Mutual Fund (LIC MF), SBI mutual fund

Insurance companies

Insurance companies are institutions that provide financial protection to individuals' life and wealth. They assure social security and personal welfare.	
Life Insurance Corporation of India (LIC).	for the protection of individual's life and health

General Insurance Company	Non life insurance companies that protect individuals from loss due to accidents, natural calamities
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Microfinance

The aim of microfinance is to provide different financial services including micro credit to common people. This helps in encouraging saving habit among the low income groups in the society and to seek self employment. The Kudumbasree and men self-help groups operating in Kerala and are examples of this.

Major goals of microfinance

- helps in collective development by mobilising money from individuals.
- helps to increase the standard of living of the poor.
- encourages saving habit
- makes use of the individual potential for group development.
- provides loans to members in need
- starts small scale enterprises

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