



PREPZEN · BANKING

Banking Awareness Notes

All 26 chapters · RBI, banks, laws, schemes, terms and one-liners

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THE FIRST BANKS

Bank	Year	Key fact
Bank of Hindustan	1770	First bank in India, set up in Calcutta by Alexander & Co.; closed in 1832
General Bank of India	1786	Closed in 1791
Bank of Calcutta	1806	Renamed Bank of Bengal in 1809 — first Presidency bank
Bank of Bombay	1840	Second Presidency bank
Bank of Madras	1843	Third Presidency bank
Allahabad Bank	1865	Oldest joint-stock bank; merged with Indian Bank in 2020
Oudh Commercial Bank	1881	First bank managed entirely by Indians
Punjab National Bank	1894	First bank with only Indian capital (started work in 1895, Lahore)
Central Bank of India	1911	First commercial bank fully owned and managed by Indians

REMEMBER FOR EXAM

Bank of Hindustan (1770) = first bank; Oudh Commercial Bank (1881) = first Indian-managed bank; PNB (1894) = first "swadeshi" bank with Indian capital.

FROM IMPERIAL BANK TO SBI

- ▶ The three Presidency banks merged to form the Imperial Bank of India on 27 January 1921
- ▶ The All India Rural Credit Survey Committee (A.D. Gorwala, 1951) recommended a state-owned bank
- ▶ The Imperial Bank became the State Bank of India on 1 July 1955 under the SBI Act, 1955
- ▶ SBI's associate banks and Bharatiya Mahila Bank merged into SBI on 1 April 2017

NATIONALISATION OF BANKS

Phase	Date	Banks	Condition
First	19 July 1969	14 banks	Deposits of more than ₹50 crore
Second	15 April 1980	6 banks	Deposits of more than ₹200 crore

- ▶ The 1969 nationalisation was done by Prime Minister Indira Gandhi through an ordinance
- ▶ New Bank of India (nationalised in 1980) was merged with Punjab National Bank in 1993 — the only merger of two nationalised banks in that era
- ▶ The RBI itself was nationalised earlier, on 1 January 1949

LIBERALISATION AND NEW PRIVATE BANKS (1991 ONWARDS)

- ▶ The Narasimham Committee (1991) recommended allowing new private banks
- ▶ In 1993–94 RBI licensed new private banks such as UTI Bank (now Axis Bank), HDFC Bank, ICICI Bank, IndusInd Bank, Global Trust Bank
- ▶ HDFC Bank was the first to get in-principle approval from RBI (1994)
- ▶ 2014: IDFC Bank and Bandhan Bank got universal bank licences
- ▶ 2015: licences for Small Finance Banks and Payments Banks (on the Nachiket Mor Committee's ideas)

THE BIG MERGERS OF 2017–2020

Year	Merger
2017	SBI + 5 associate banks + Bharatiya Mahila Bank
2019	Bank of Baroda + Vijaya Bank + Dena Bank (first three-way merger of PSBs)
2020	Oriental Bank of Commerce + United Bank of India → Punjab National Bank
2020	Syndicate Bank → Canara Bank
2020	Andhra Bank + Corporation Bank → Union Bank of India
2020	Allahabad Bank → Indian Bank

REMEMBER FOR EXAM

After the 1 April 2020 mergers, India has 12 public sector banks (down from 27 in 2017).

EXAM FOCUS

- ▶ First bank: Bank of Hindustan (1770); first Presidency bank: Bank of Bengal
- ▶ Imperial Bank (1921) → SBI (1 July 1955)
- ▶ Nationalisation: 14 banks (1969, ₹50 crore) and 6 banks (1980, ₹200 crore)
- ▶ 12 PSBs since 1 April 2020

ONE-LINERS ASKED IN EXAMS

1. The first bank established in India was → **Bank of Hindustan**
2. The three Presidency banks were merged to form → **Imperial Bank of India**
3. The Imperial Bank of India was converted into SBI in → **1955**
4. SBI was formed on the recommendation of the → **Gorwala Committee (AIRCS)**
5. In the first nationalisation of 1969, how many banks were nationalised → **14**



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KEY FACTS

Point	Fact
Recommended by	Hilton Young Commission (Royal Commission on Indian Currency and Finance), 1926
Law	RBI Act, 1934
Started	1 April 1935
First headquarters	Calcutta (Kolkata); moved to Mumbai in 1937
Nationalised	1 January 1949
Emblem	Tiger and palm tree
Financial year	April–March (changed from July–June in 2020–21)
First Governor	Sir Osborne Smith
First Indian Governor	C.D. Deshmukh
Current Governor	Sanjay Malhotra (26th Governor, since December 2024)

REMEMBER FOR EXAM

RBI started as a private shareholders' bank in 1935 and became fully owned by the Government of India only in 1949.

MANAGEMENT

- ▶ The Central Board of Directors runs RBI: the Governor, up to 4 Deputy Governors and directors nominated by the Government
- ▶ The Governor and Deputy Governors are appointed by the Central Government
- ▶ The RBI Act requires the four Deputy Governors to include two from RBI ranks, one commercial banker and one economist
- ▶ Manmohan Singh is the only RBI Governor who later became Prime Minister

FUNCTIONS OF RBI

- ▶ Monetary authority: frames and runs monetary policy (inflation target)
- ▶ Issuer of currency: issues all notes except the ₹1 note (₹1 notes and all coins are issued by the Government of India)
- ▶ Banker to the Government: manages government accounts and public debt
- ▶ Banker's bank: holds banks' CRR, lends to them, acts as lender of last resort
- ▶ Regulator and supervisor of banks, NBFCs and payment systems

- ▶ Manager of foreign exchange under FEMA, 1999
- ▶ Developmental role: financial inclusion, priority sector lending

NOTE

₹1 notes carry the signature of the Finance Secretary; ₹2 and higher notes carry the signature of the RBI Governor.

MINIMUM RESERVE SYSTEM

- ▶ Since 1957 RBI keeps a minimum reserve of ₹200 crore to back currency issue
- ▶ Of this, ₹115 crore must be in gold and ₹85 crore in foreign securities

RBI SUBSIDIARIES

Subsidiary	Work
DICGC	Deposit insurance (up to ₹5 lakh per depositor per bank)
BRBNMPL	Prints currency notes (Mysuru and Salboni)
ReBIT	IT and cyber security support
IFTAS	Banking technology and payment infrastructure
RBIH	Reserve Bank Innovation Hub (fintech innovation, Bengaluru)

EXAM FOCUS

- ▶ Hilton Young Commission → RBI Act 1934 → started 1 April 1935 → nationalised 1949
- ▶ HQ moved from Kolkata to Mumbai in 1937
- ▶ ₹1 note and coins: Government of India; other notes: RBI
- ▶ First Indian Governor: C.D. Deshmukh; current Governor: Sanjay Malhotra

ONE-LINERS ASKED IN EXAMS

1. The Reserve Bank of India started operations on → **1 April 1935**
2. RBI was set up on the recommendation of the → **Hilton Young Commission**
3. The headquarters of RBI was shifted from Kolkata to Mumbai in → **1937**
4. Who was the first Indian Governor of RBI → **C.D. Deshmukh**
5. Who was the first Governor of RBI → **Osborne Smith**



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WHAT IS MONETARY POLICY?

Monetary policy is how RBI controls the supply and cost of money to keep prices stable while supporting growth. When inflation is high, RBI raises rates (tight policy); when growth is weak, it cuts rates (easy policy).

POLICY RATES — MEANING

Rate	Meaning	Simple way to remember
Repo Rate	Rate at which RBI lends to banks for short periods against government securities	Bank borrows FROM RBI
Reverse Repo Rate	Rate at which RBI borrows from banks (fixed reverse repo is now 3.35%)	Bank parks money WITH RBI
SDF (Standing Deposit Facility)	Floor of the rate corridor; banks deposit surplus with RBI without giving collateral; introduced April 2022	Repo – 0.25%
MSF (Marginal Standing Facility)	Emergency overnight borrowing by banks, even dipping into SLR securities; introduced 2011	Repo + 0.25%
Bank Rate	Rate for long-term loans from RBI to banks without collateral; aligned with MSF	Same as MSF

REMEMBER FOR EXAM

The LAF corridor = SDF (floor) ... Repo (middle) ... MSF (ceiling). The gap on each side is 0.25%.

NOTE

Check the "Current Rates" card at the top of this subject for today's values — they change after MPC meetings.

RESERVE RATIOS

Ratio	Meaning	Kept where
CRR (Cash Reserve Ratio)	Share of NDTL that banks must keep as cash with RBI; earns no interest	With RBI
SLR (Statutory Liquidity Ratio)	Share of NDTL that banks must keep in cash, gold or approved government securities; legal maximum 40%	With the bank itself

- ▶ NDTL = Net Demand and Time Liabilities (mainly deposits)
- ▶ Higher CRR or SLR → less money for loans → tighter policy

OTHER TOOLS

- ▶ OMO (Open Market Operations): RBI buys government securities to add money, sells them to remove money
- ▶ LAF (Liquidity Adjustment Facility): daily repo and reverse repo operations, started in 2000
- ▶ MSS (Market Stabilisation Scheme, 2004): special bonds to absorb extra money from forex inflows
- ▶ Qualitative tools: margin requirements, selective credit control, moral suasion, direct action

MONETARY POLICY COMMITTEE (MPC)

Point	Fact
Set up	2016, by amending the RBI Act (Section 45ZB)
Members	6 — 3 from RBI (Governor as chair, a Deputy Governor, one officer) + 3 external members appointed by the Government
Term of external members	4 years
Quorum	4 members
Tie	Governor has the casting vote
Meetings	At least 4 a year (usually 6, every two months)
Inflation target	CPI inflation 4%, with a band of $\pm 2\%$ (2%–6%), set by the Government
Recommended by	Urjit Patel Committee (2014)

REMEMBER FOR EXAM

If inflation stays outside 2–6% for three quarters in a row, RBI must write to the Government explaining why.

POLICY STANCES

- ▶ Accommodative: ready to cut rates or keep them low
- ▶ Neutral: can move either way
- ▶ Calibrated tightening / withdrawal of accommodation: leaning towards raising rates

EXAM FOCUS

- ▶ Repo = RBI lends to banks; Reverse repo / SDF = banks deposit with RBI
- ▶ $SDF = repo - 0.25\%$; $MSF = Bank\ Rate = repo + 0.25\%$
- ▶ CRR with RBI (no interest); SLR with the bank (max 40%)
- ▶ MPC: 6 members, quorum 4, CPI 4% $\pm 2\%$

ONE-LINERS ASKED IN EXAMS

1. The rate at which RBI lends short-term funds to commercial banks is → **Repo rate**
2. The floor of the RBI's interest-rate corridor today is the → **Standing Deposit Facility (SDF) rate**
3. MSF rate is usually set at → **Repo + 0.25%**
4. CRR is kept by banks with → **The Reserve Bank of India**

5. SLR can be maintained in the form of → **Cash, gold or approved government securities**



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THE BIG PICTURE

Group	Who is in it	Regulator
Scheduled Commercial Banks	Public sector, private sector, foreign, RRBs, Small Finance, Payments banks	RBI
Cooperative Banks	Urban cooperative banks, State and District cooperative banks	RBI (banking) + Registrar of Cooperative Societies
Development Financial Institutions	NABARD, SIDBI, EXIM Bank, NHB, NaBFID	RBI / Government
NBFCs	Finance companies that are not banks	RBI

SCHEDULED VS NON-SCHEDULED BANKS

- ▶ Scheduled banks are listed in the Second Schedule of the RBI Act, 1934
- ▶ To be scheduled, a bank needs paid-up capital and reserves of at least ₹5 lakh and must satisfy RBI that its affairs are sound
- ▶ Scheduled banks can borrow from RBI and must keep CRR with RBI
- ▶ Non-scheduled banks are not in the Second Schedule (a few small cooperative banks)

COMMERCIAL BANKS BY OWNERSHIP

Type	Owner	Examples
Public sector bank	Government holds more than 50%	SBI, PNB, Bank of Baroda, Canara Bank
Private sector bank	Private shareholders	HDFC Bank, ICICI Bank, Axis Bank, Kotak Mahindra Bank
Foreign bank	Head office outside India	Citibank N.A., HSBC, Standard Chartered, DBS Bank India
Regional Rural Bank	Centre 50%, sponsor bank 35%, state 15%	Andhra Pradesh Grameena Bank
Small Finance Bank	Private	AU SFB, Ujjivan SFB, Equitas SFB
Payments Bank	Private / India Post	Airtel Payments Bank, India Post Payments Bank

REMEMBER FOR EXAM

IDBI Bank has been classified as a private sector bank by RBI since January 2019, after LIC bought a majority stake.

COOPERATIVE BANKING (THREE-TIER RURAL STRUCTURE)

- ▶ Top: State Cooperative Bank (StCB) in each state
- ▶ Middle: District Central Cooperative Bank (DCCB)
- ▶ Bottom: Primary Agricultural Credit Society (PACS) at village level
- ▶ Urban Cooperative Banks (UCBs) serve towns and cities
- ▶ The Banking Regulation (Amendment) Act, 2020 brought cooperative banks under fuller RBI supervision

NOTE

Cooperative banks work on the principle of "one member, one vote".

FOREIGN BANKS

- ▶ Can work through branches or as a wholly owned subsidiary (WOS)
- ▶ SBM Bank India (Mauritius) was the first foreign bank to convert to a WOS (2018); DBS Bank India followed in 2019
- ▶ Foreign banks with 20 or more branches have the same 40% priority sector target as Indian banks

UNIVERSAL VS DIFFERENTIATED BANKS

- ▶ Universal bank: can do all banking business — deposits, loans of every size, cards, forex
- ▶ Differentiated bank: limited licence for a special purpose — Small Finance Banks and Payments Banks
- ▶ RBI's "on tap" licensing for universal banks started in 2016

EXAM FOCUS

- ▶ Second Schedule of RBI Act → scheduled bank (₹5 lakh capital and reserves)
- ▶ RRB ownership 50:35:15 (Centre : sponsor bank : state)
- ▶ Rural cooperative chain: StCB → DCCB → PACS
- ▶ IDBI Bank = private sector bank (since 2019)

ONE-LINERS ASKED IN EXAMS

1. Scheduled banks are those included in the → **Second Schedule of the RBI Act, 1934**
2. The minimum paid-up capital and reserves needed to become a scheduled bank is → **₹5 lakh**
3. A bank is called a public sector bank when the Government holds more than → **50%**
4. In the three-tier rural cooperative structure, the bank at the district level is the → **District Central Cooperative Bank**
5. Primary Agricultural Credit Societies (PACS) work at the → **Village level**



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REGIONAL RURAL BANKS (RRBS)

Point	Fact
Recommended by	Narasimham Working Group, 1975
Set up	Ordinance on 26 September 1975, then the RRB Act, 1976
First RRB	Prathama Bank, Moradabad (UP), 2 October 1975, sponsored by Syndicate Bank
Ownership	Central Government 50%, sponsor bank 35%, state government 15%
Priority sector target	75% of loans
Regulated by	RBI; supervised by NABARD
Number now	28 RRBs, after the "One State, One RRB" merger effective 1 May 2025 (down from 43)

- ▶ Aim: credit for small farmers, labourers, artisans and small businesses in rural areas
- ▶ The Government plans to list some RRBs on stock exchanges

REMEMBER FOR EXAM

RRB = 50 : 35 : 15 (Centre : Sponsor bank : State).

SMALL FINANCE BANKS (SFBS)

Point	Fact
Idea from	Nachiket Mor Committee (2013); RBI guidelines 2014
First SFB	Capital Small Finance Bank (started April 2016)
Minimum capital	₹200 crore (on-tap guidelines, 2019)
Priority sector	75% of loans
Small loans	At least 50% of the loan book in loans up to ₹25 lakh
Can do	Take deposits and give loans (full banking for small customers)

- ▶ Examples: AU, Ujjivan, Equitas, Jana, Suryoday, ESAF, Utkarsh, Capital, Unity, Shivalik SFBs
- ▶ AU Small Finance Bank applied to become a universal bank (eligible after 5 years of good record)

PAYMENTS BANKS

Point	Fact
Idea from	Nachiket Mor Committee

Minimum capital	₹100 crore
Deposit limit	₹2 lakh per customer at the end of the day (raised from ₹1 lakh in 2021)
Cannot do	Give loans or issue credit cards
Can do	Savings and current accounts, debit cards, remittances, bill payments, sell insurance and mutual funds
Investment rule	At least 75% of deposits in government securities (SLR-eligible), up to 25% in bank deposits
First to start	Airtel Payments Bank (January 2017)

- ▶ India Post Payments Bank started on 1 September 2018 using post offices and postmen
- ▶ Fino, Paytm, Jio and NSDL Payments Banks are other examples; RBI barred Paytm Payments Bank from taking fresh deposits in 2024

REMEMBER FOR EXAM

Payments Bank = deposits up to ₹2 lakh, NO loans, NO credit cards.

COMPARISON

Feature	Small Finance Bank	Payments Bank
Loans	Yes	No
Deposit limit	No limit	₹2 lakh per customer
Minimum capital	₹200 crore	₹100 crore
Credit card	Yes	No

EXAM FOCUS

- ▶ First RRB: Prathama Bank (2 Oct 1975); 28 RRBs after May 2025
- ▶ SFB capital ₹200 crore, PSL 75%; first: Capital SFB
- ▶ Payments bank capital ₹100 crore, deposits ₹2 lakh, no lending; first: Airtel
- ▶ Both ideas from the Nachiket Mor Committee

ONE-LINERS ASKED IN EXAMS

1. The first Regional Rural Bank was → **Prathama Bank**
2. RRBs were set up on the recommendation of the → **Narasimham Working Group (1975)**
3. The share of the Central Government in an RRB is → **50%**
4. Regional Rural Banks are supervised by → **NABARD**
5. After the "One State, One RRB" amalgamation of May 2025, the number of RRBs is → **28**



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THE 12 PUBLIC SECTOR BANKS

Bank	Headquarters	Tagline
State Bank of India	Mumbai	The Banker to Every Indian
Punjab National Bank	New Delhi	The Name You Can Bank Upon
Bank of Baroda	Vadodara	India's International Bank
Canara Bank	Bengaluru	Together We Can
Union Bank of India	Mumbai	Good People to Bank With
Bank of India	Mumbai	Relationship Beyond Banking
Indian Bank	Chennai	Your Own Bank
Central Bank of India	Mumbai	Central to You Since 1911
Indian Overseas Bank	Chennai	Good People to Grow With
UCO Bank	Kolkata	Honours Your Trust
Bank of Maharashtra	Pune	One Family, One Bank
Punjab & Sind Bank	New Delhi	Where Service is a Way of Life

REMEMBER FOR EXAM

Mumbai has 4 PSB headquarters (SBI, Union, BoI, Central); Chennai has 2 (Indian, IOB); New Delhi has 2 (PNB, P&S).

REMEMBER FOR EXAM

Make a story: "Canara in Bengaluru says Together We Can; UCO in Kolkata Honours Your Trust."

MAJOR PRIVATE SECTOR BANKS

Bank	Headquarters	Tagline
HDFC Bank	Mumbai	We Understand Your World
ICICI Bank	Mumbai (registered office Vadodara)	Khayaal Aapka
Axis Bank	Mumbai	Dil Se Open
Kotak Mahindra Bank	Mumbai	Let's Make Money Simple
IndusInd Bank	Mumbai (registered office Pune)	We Make You Feel Richer
Yes Bank	Mumbai	We Care
IDFC First Bank	Mumbai	Always You First
Federal Bank	Aluva (Kerala)	Your Perfect Banking Partner

South Indian Bank	Thrissur	Experience Next Generation Banking
Karnataka Bank	Mangaluru	Your Family Bank Across India
Karur Vysya Bank	Karur	Smart Way to Bank
City Union Bank	Kumbakonam	—
Bandhan Bank	Kolkata	Aapka Bhala, Sabki Bhalai
RBL Bank	Mumbai	Apno Ka Bank
Jammu & Kashmir Bank	Srinagar	Serving to Empower
Tamilnad Mercantile Bank	Thoothukudi	—
CSB Bank	Thrissur	—
Dhanlaxmi Bank	Thrissur	—
IDBI Bank	Mumbai	—

OTHER IMPORTANT MERGERS AND TAKEOVERS

Year	Event
2004	Global Trust Bank merged with Oriental Bank of Commerce
2010	Bank of Rajasthan merged with ICICI Bank
2020	Lakshmi Vilas Bank merged with DBS Bank India
2020	Yes Bank rescued under an RBI scheme with SBI as main investor
2023	HDFC Ltd merged with HDFC Bank (1 July 2023)
2024	IDFC Ltd merged with IDFC First Bank
2026	Cabinet approved sale of 60.72% of IDBI Bank to Fairfax Financial Holdings (October 2026)

NOTE

Bank chiefs (MD & CEO) change often — revise them from the Banking News section.

EXAM FOCUS

- ▶ Bank of Baroda: Vadodara; Canara: Bengaluru; UCO: Kolkata; Bank of Maharashtra: Pune
- ▶ Indian Bank and IOB: Chennai
- ▶ HDFC Ltd + HDFC Bank merger: 1 July 2023

ONE-LINERS ASKED IN EXAMS

1. The headquarters of Bank of Baroda is in → **Vadodara**
2. Canara Bank is headquartered in → **Bengaluru**
3. UCO Bank is headquartered in → **Kolkata**
4. Bank of Maharashtra is headquartered in → **Pune**
5. Which two public sector banks are headquartered in Chennai → **Indian Bank and Indian Overseas Bank**



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**WHAT IS A DFI?**

A Development Financial Institution gives long-term finance for sectors that ordinary banks find risky — agriculture, small industry, housing, exports and infrastructure.

KEY DFIS

Institution	Set up	Headquarters	Purpose
IFCI	1948	New Delhi	First DFI of India; industrial finance
NABARD	12 July 1982	Mumbai	Agriculture and rural development; refinance to RRBs and cooperative banks
EXIM Bank	1 January 1982	Mumbai	Finance for exports and imports
NHB (National Housing Bank)	9 July 1988	New Delhi	Housing finance; regulator of housing-finance companies until 2019 (now RBI regulates, NHB supervises)
SIDBI	2 April 1990	Lucknow	Micro, Small and Medium Enterprises (MSMEs)
MUDRA Ltd	8 April 2015	Mumbai	Refinance for micro units; a subsidiary of SIDBI
NaBFID	2021	Mumbai	National Bank for Financing Infrastructure and Development

REMEMBER FOR EXAM

NABARD (1982) and EXIM (1982) were born in the same year; SIDBI (1990) is in Lucknow — the only one outside Mumbai/Delhi.

NABARD IN DETAIL

- ▶ Recommended by the CRAFTCARD Committee headed by B. Sivaraman (1979–81)
- ▶ Took over the agricultural credit work of RBI and the Agricultural Refinance and Development Corporation
- ▶ Runs the SHG–Bank Linkage Programme (started 1992) and the Rural Infrastructure Development Fund (RIDF, 1995–96)
- ▶ Supervises RRBs and rural cooperative banks
- ▶ Fully owned by the Government of India since 2018

OTHER FINANCE BODIES TO KNOW

- ▶ ICICI was set up in 1955 as a DFI and became a bank in 2002
- ▶ IDBI was set up in 1964 as a DFI (once a subsidiary of RBI) and became a bank in 2004

- ▶ IIFCL (2006): long-term infrastructure finance
- ▶ SIDBI also runs the Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) with the Government

EXAM FOCUS

- ▶ NABARD: 12 July 1982, Mumbai, CRAFTICARD (Sivaraman)
- ▶ SIDBI: 1990, Lucknow, MSMEs; MUDRA is its subsidiary
- ▶ EXIM: 1982, Mumbai; NHB: 1988, New Delhi; NaBFID: 2021

ONE-LINERS ASKED IN EXAMS

1. NABARD was established on → **12 July 1982**
2. NABARD was set up on the recommendation of the → **CRAFTICARD (B. Sivaraman) Committee**
3. The headquarters of SIDBI is in → **Lucknow**
4. SIDBI mainly finances → **MSMEs**
5. The first Development Financial Institution of India was → **IFCI**



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THE ACTS EVERY EXAM ASKS

Act	Year	What it does
Negotiable Instruments Act	1881	Defines promissory note, bill of exchange and cheque; Section 138 makes cheque bounce a crime
Bankers' Books Evidence Act	1891	Lets certified copies of bank records be used as evidence in court
Reserve Bank of India Act	1934	Creates RBI and gives it powers (monetary policy, currency issue)
Banking Regulation Act	1949	Main law for regulating banks (licence, management, CRR/SLR); first called the Banking Companies Act
State Bank of India Act	1955	Created SBI
DICGC Act	1961	Deposit insurance
Recovery of Debts Due to Banks (RDBFI) Act	1993	Created Debt Recovery Tribunals (DRTs) for dues of ₹20 lakh and above
FEMA (Foreign Exchange Management Act)	1999	Replaced FERA 1973; foreign-exchange offences are civil, not criminal
SARFAESI Act	2002	Lets banks seize and sell secured assets of defaulters without going to court
PMLA (Prevention of Money Laundering Act)	2002	Fights money laundering; FIU-IND receives reports from banks
Payment and Settlement Systems Act	2007	RBI regulates payment systems (UPI, cards, wallets)
Insolvency and Bankruptcy Code (IBC)	2016	Time-bound resolution of companies in default; IBBI is the regulator
Banking Laws (Amendment) Act	2025	Up to 4 nominees per account; "substantial interest" limit raised to ₹2 crore

REMEMBER FOR EXAM

1881 NI → 1934 RBI → 1949 BR → 1999 FEMA → 2002 SARFAESI & PMLA → 2016 IBC.

NEGOTIABLE INSTRUMENTS ACT — KEY SECTIONS

- ▶ Section 4: Promissory note (a written promise to pay)
- ▶ Section 5: Bill of exchange (an order to pay)
- ▶ Section 6: Cheque (a bill of exchange drawn on a bank, payable on demand)
- ▶ Section 138: Dishonour of a cheque for lack of funds — up to 2 years' jail, or a fine up to twice the cheque amount, or both
- ▶ The payee must send a legal notice within 30 days of the bank's return memo; the drawer then gets

15 days to pay

SARFAESI ACT, 2002

- ▶ Full form: Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act
- ▶ Applies when the loan is an NPA and the secured amount is above ₹1 lakh
- ▶ The bank gives 60 days' notice, then can take possession of the asset
- ▶ Does not apply to agricultural land
- ▶ Also allows Asset Reconstruction Companies (ARCs)

IBC, 2016

- ▶ Corporate insolvency must be resolved within 180 days, extendable by 90 days (330 days including legal delays)
- ▶ Minimum default to start insolvency against a company: ₹1 crore (raised from ₹1 lakh in 2020)
- ▶ Cases go to the NCLT (National Company Law Tribunal); appeals to the NCLAT
- ▶ Regulator: Insolvency and Bankruptcy Board of India (IBBI)

EXAM FOCUS

- ▶ Cheque bounce: NI Act Section 138
- ▶ SARFAESI: no court needed, ₹1 lakh+, 60-day notice, not for farm land
- ▶ IBC: 180 + 90 days; ₹1 crore threshold; NCLT
- ▶ FEMA replaced FERA (1999)

ONE-LINERS ASKED IN EXAMS

1. Dishonour of a cheque is dealt with under which section of the NI Act → **Section 138**
2. The Negotiable Instruments Act was passed in → **1881**
3. Under Section 138 of the NI Act, the maximum jail term for cheque bounce is → **2 years**
4. The Banking Regulation Act was passed in → **1949**
5. FEMA replaced → **FERA**



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TYPES OF DEPOSIT ACCOUNTS

Account	Meant for	Interest	Key point
Savings Account	Individuals saving money	Yes	Interest rate deregulated since 2011; limited withdrawals
Current Account	Businesses with many transactions	No	Overdraft facility possible
Fixed Deposit (FD)	Lump sum for a fixed term	Highest	Term from 7 days to 10 years
Recurring Deposit (RD)	Fixed amount every month	Yes	Builds a saving habit
BSBDA	Basic Savings Bank Deposit Account	Yes	Zero balance; free ATM/debit card

- Demand deposits: Savings + Current (can be withdrawn any time)
- Time deposits: FD + RD (fixed period)

REMEMBER FOR EXAM

CASA = Current Account + Savings Account. A high CASA ratio means cheaper funds for the bank.

ACCOUNTS FOR NRIS

Account	Currency	Repatriable?	Interest taxable in India?
NRE (Non-Resident External)	Indian rupees	Fully	No (tax-free)
NRO (Non-Resident Ordinary)	Indian rupees	Up to USD 1 million a year	Yes
FCNR(B) (Foreign Currency Non-Resident)	Foreign currency	Fully	No; term deposit only, 1 to 5 years

REMEMBER FOR EXAM

NRE = Earnings from abroad (tax-free); NRO = Ordinary income in India (taxed).

KYC — KNOW YOUR CUSTOMER

- KYC norms were introduced by RBI in 2002 under the PMLA framework
- Officially Valid Documents (OVDs): passport, driving licence, Aadhaar (proof of possession), voter ID, NREGA job card, NPR letter
- PAN (or Form 60) is also needed for most accounts

- ▶ Central KYC Registry (CKYCR) is run by CERSAI; each customer gets a 14-digit CKYC number
- ▶ Video-KYC (V-CIP) has been allowed since 2020
- ▶ Periodic KYC update: high-risk customers every 2 years, medium every 8 years, low every 10 years

INACTIVE AND UNCLAIMED MONEY

- ▶ An account becomes inoperative (dormant) after 2 years without customer transactions
- ▶ Deposits not claimed for 10 years go to the Depositor Education and Awareness (DEA) Fund (set up 2014)
- ▶ UDAM portal (2023) helps people search unclaimed deposits across banks

OTHER POINTS

- ▶ A minor above 10 years can open and operate a savings account independently
- ▶ Joint account options: either or survivor, former or survivor, jointly
- ▶ Interest on savings accounts is calculated on the daily closing balance

EXAM FOCUS

- ▶ CASA = Current + Savings; current account pays no interest
- ▶ NRE tax-free and repatriable; NRO taxable; FCNR in foreign currency (1–5 years)
- ▶ Dormant after 2 years; DEA Fund after 10 years; UDAM portal
- ▶ CKYC run by CERSAI (14-digit number)

ONE-LINERS ASKED IN EXAMS

1. Which account usually pays no interest → **Current account**
2. CASA stands for → **Current Account and Savings Account**
3. Interest on an NRE account is → **Tax-free in India**
4. FCNR(B) deposits are held in → **Foreign currency**
5. The tenure of an FCNR(B) deposit is → **1 to 5 years**



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TYPES OF BANK CREDIT

Facility	Meaning
Term loan	Fixed amount repaid in instalments over a set period
Cash credit	Borrowing limit against stock or receivables; interest only on amount used
Overdraft	Permission to withdraw more than the balance in a current account
Bill discounting	Bank pays the seller now and collects from the buyer later
Letter of Credit (LC)	Bank's promise to pay an exporter on behalf of an importer
Bank Guarantee	Bank promises to pay if the customer fails to perform
Bridge loan	Short loan until long-term money arrives

SECURING A LOAN (CHARGES)

Charge	Asset	Who keeps the asset
Pledge	Movable goods, gold	Lender (bank)
Hypothecation	Movable goods (vehicles, stock)	Borrower
Mortgage	Immovable property (land, house)	Borrower; bank holds rights
Lien	Any asset	Bank's right to retain it until dues are paid

REMEMBER FOR EXAM

Pledge = Possession with the bank. Hypothecation = the borrower keeps it (your car loan).

LENDING RATE SYSTEMS (OLDEST TO NEWEST)

System	From	Note
BPLR (Benchmark Prime Lending Rate)	2003	Not transparent
Base Rate	July 2010	Minimum lending rate
MCLR (Marginal Cost of Funds based Lending Rate)	1 April 2016	Based on banks' marginal cost of funds
EBLR (External Benchmark Lending Rate)	1 October 2019	Retail and MSME floating loans linked to an outside benchmark such as the repo rate

REMEMBER FOR EXAM

B-B-M-E: BPLR → Base Rate → MCLR → EBLR. New floating home loans are linked to the repo rate (RLLR).

PRIORITY SECTOR LENDING (PSL)

Bank group	Overall PSL target (of ANBC)
Domestic banks and foreign banks with 20+ branches	40%
RRBs and Small Finance Banks	75%
Urban Cooperative Banks	75% (phased)

- ▶ Priority sectors: agriculture, MSMEs, export credit, education, housing, social infrastructure, renewable energy, others (weaker sections)
- ▶ Sub-targets for domestic banks: agriculture 18%, micro enterprises 7.5%
- ▶ ANBC = Adjusted Net Bank Credit
- ▶ Banks that miss PSL targets must put the shortfall in funds such as NABARD's RIDF
- ▶ PSL Certificates (PSLCs) can be traded between banks

KISAN CREDIT CARD (KCC)

- ▶ Launched in 1998 on the R.V. Gupta Committee's recommendation (NABARD scheme)
- ▶ Short-term crop loans at a 7% interest rate under the interest subvention scheme; prompt repayment reduces it to 4%
- ▶ Budget 2025 raised the subvention loan limit from ₹3 lakh to ₹5 lakh
- ▶ Extended to animal husbandry and fisheries farmers in 2018-19

OTHER LENDING TERMS

- ▶ Collateral-free loans: up to ₹10 lakh for micro and small enterprises (CGTMSE gives guarantees)
- ▶ LTV (Loan to Value): share of the property value a bank can lend
- ▶ Moratorium: a period when repayments are paused
- ▶ Education loans: covered under priority sector up to set limits

EXAM FOCUS

- ▶ Pledge (bank holds) vs hypothecation (borrower holds) vs mortgage (immovable)
- ▶ BPLR → Base Rate (2010) → MCLR (2016) → EBLR (Oct 2019)
- ▶ PSL 40%; RRB/SFB 75%; agriculture 18%
- ▶ KCC 1998, R.V. Gupta Committee; 7% (4% with prompt repayment)

ONE-LINERS ASKED IN EXAMS

1. When a bank keeps the gold ornaments given as security for a loan, the charge is called → **Pledge**
2. A car loan where the borrower keeps the car is an example of → **Hypothecation**
3. A charge created on land or a house is called → **Mortgage**
4. MCLR was introduced by RBI from → **1 April 2016**
5. The external benchmark (EBLR) system for retail floating loans started on → **1 October 2019**



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WHAT IS AN NPA?

A Non-Performing Asset is a loan on which interest or principal has been overdue for more than 90 days.

Loan type	Becomes NPA when
Term loan	Interest or instalment overdue for more than 90 days
Overdraft / cash credit	Account "out of order" for more than 90 days
Short-duration crops	Overdue for 2 crop seasons
Long-duration crops	Overdue for 1 crop season

REMEMBER FOR EXAM

90 days is the golden number for NPA.

EARLY WARNING — SPECIAL MENTION ACCOUNTS (SMA)

Category	Days overdue
SMA-0	1-30 days
SMA-1	31-60 days
SMA-2	61-90 days
NPA	More than 90 days

► Banks report large borrowers (₹5 crore and above) to the CRILC database of RBI

CLASSIFICATION OF NPAS

Class	Meaning
Sub-standard	NPA for up to 12 months
Doubtful	Sub-standard for 12 months (NPA for more than 12 months)
Loss	Identified as uncollectible by the bank, auditors or RBI

► Standard asset: a performing loan (no NPA)

► Banks keep money aside (provisioning) — more for older NPAs

KEY MEASURES

► Gross NPA ratio = gross NPAs ÷ gross advances

► Net NPA = Gross NPA – provisions

- ▶ Provision Coverage Ratio (PCR) = provisions ÷ gross NPAs
- ▶ Write-off: the bad loan is removed from the books, but recovery efforts continue
- ▶ Wilful defaulter: a borrower who can pay but chooses not to

RECOVERY TOOLS

- ▶ SARFAESI Act 2002, Debt Recovery Tribunals (1993), Lok Adalats (small dues), IBC 2016
- ▶ Asset Reconstruction Companies (ARCs) buy bad loans from banks; the first was ARCIL (2002)
- ▶ NARCL (National Asset Reconstruction Company Ltd) — the "bad bank" set up in 2021, with IDRCL to manage resolution; the Government guarantees its security receipts
- ▶ One-time settlement (OTS) and compromise settlements

PROMPT CORRECTIVE ACTION (PCA)

- ▶ RBI framework to stop weak banks from getting weaker
- ▶ Triggers: capital (CRAR / CET1), asset quality (net NPA) and leverage ratio
- ▶ A bank under PCA can face limits on lending, dividends and branch expansion

EXAM FOCUS

- ▶ NPA: 90 days overdue
- ▶ SMA-0 (1-30), SMA-1 (31-60), SMA-2 (61-90)
- ▶ Sub-standard ≤ 12 months → doubtful → loss
- ▶ NARCL bad bank 2021; first ARC: ARCIL; PCA triggers: capital, NPA, leverage

ONE-LINERS ASKED IN EXAMS

1. A term loan becomes an NPA when it is overdue for more than → **90 days**
2. An account overdue for 31-60 days is classified as → **SMA-1**
3. An account overdue for 61-90 days is classified as → **SMA-2**
4. An NPA that has remained so for up to 12 months is called → **Sub-standard asset**
5. An asset that has remained sub-standard for 12 months becomes → **Doubtful**



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**BASEL COMMITTEE**

- ▶ The Basel Committee on Banking Supervision (BCBS) was set up in 1974 by central banks of the G10
- ▶ It is based in Basel, Switzerland, at the Bank for International Settlements (BIS)
- ▶ Basel norms are rules on how much capital banks must hold against their risks

REMEMBER FOR EXAM

BIS (1930) is the "central bank of central banks" and the oldest international financial institution.

THE THREE BASEL ACCORDS

Accord	Year	Focus
Basel I	1988	Credit risk only; minimum capital 8% of risk-weighted assets
Basel II	2004	Credit, market and operational risk; introduced 3 pillars
Basel III	2010	After the 2008 crisis: better quality capital, buffers, liquidity rules

- ▶ India adopted Basel I in 1992, Basel II from 2008–09, and Basel III in phases from 2013

THREE PILLARS OF BASEL II

Pillar	Name
Pillar 1	Minimum capital requirement
Pillar 2	Supervisory review process
Pillar 3	Market discipline (public disclosure)

REMEMBER FOR EXAM

"C–S–M": Capital, Supervision, Market discipline.

BASEL III IN INDIA

Item	Requirement in India
Minimum CRAR (capital to risk-weighted assets)	9% (global Basel minimum is 8%)
Capital Conservation Buffer (CCB)	2.5%
Total with CCB	11.5%
Common Equity Tier 1 (CET1)	5.5% minimum (8% with CCB)
Liquidity Coverage Ratio (LCR)	100% — enough high-quality liquid assets for 30 days of stress

Net Stable Funding Ratio (NSFR)

100% — stable funding over one year

Leverage ratio

4% for D-SIBs, 3.5% for other banks

- ▶ Tier 1 capital: equity shares and reserves (core capital that absorbs losses while the bank runs)
- ▶ Tier 2 capital: subordinated debt, revaluation reserves, general provisions (supplementary)
- ▶ Countercyclical Capital Buffer: extra capital in good times (currently 0% in India)

D-SIBS — "TOO BIG TO FAIL"

- ▶ Domestic Systemically Important Banks must hold extra CET1 capital
- ▶ RBI's D-SIB list: SBI, HDFC Bank and ICICI Bank
- ▶ RBI names D-SIBs every year; SBI has the highest extra requirement

EXAM FOCUS

- ▶ BCBS 1974, Basel, under BIS
- ▶ Basel I 1988 (credit risk), II 2004 (three pillars), III 2010 (post-crisis)
- ▶ India: CRAR 9% + CCB 2.5% = 11.5%
- ▶ D-SIBs: SBI, HDFC Bank, ICICI Bank

ONE-LINERS ASKED IN EXAMS

1. The Basel Committee on Banking Supervision is located in → **Basel, Switzerland**
2. Basel I norms were issued in → **1988**
3. Basel I focused mainly on → **Credit risk**
4. The three pillars were introduced by → **Basel II**
5. Pillar 3 of Basel II deals with → **Market discipline**

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NEGOTIABLE INSTRUMENTS (NI ACT, 1881)

Instrument	Section	Meaning
Promissory note	Section 4	A written promise by one person to pay another
Bill of exchange	Section 5	A written order to pay a set amount to a person
Cheque	Section 6	A bill of exchange drawn on a specified bank and payable on demand

REMEMBER FOR EXAM

Promissory note = PROMISE (2 parties); Bill of exchange and cheque = ORDER (3 parties).

PARTIES TO A CHEQUE

Party	Who
Drawer	Person who writes and signs the cheque
Drawee	The bank on which the cheque is drawn
Payee	Person who receives the money
Endorser / Endorsee	Person who transfers a cheque / person who receives it by endorsement

TYPES OF CHEQUES

Type	Meaning
Bearer cheque	Pay to whoever presents it ("or bearer")
Order cheque	Pay only to the named person or their order
Crossed cheque	Two parallel lines on top-left; money only into a bank account, not cash
Account payee (A/c Payee) crossing	Money only to the payee's own account
Special crossing	Bank's name written between the lines; paid only through that bank
Post-dated cheque	Carries a future date
Ante-dated cheque	Carries a past date (valid if within 3 months)
Stale cheque	Presented after 3 months from its date
Mutilated cheque	Torn or damaged; bank may refuse
Self cheque	Drawer withdraws cash for themselves

► A cheque is valid for 3 months from its date (reduced from 6 months on 1 April 2012)

REMEMBER FOR EXAM

Crossing = "no cash over the counter".

CHEQUE CLEARING IN INDIA

- ▶ MICR code: 9 digits (city–bank–branch) at the bottom of the cheque
- ▶ CTS (Cheque Truncation System): the image of the cheque is sent instead of the paper; CTS-2010 is the standard format
- ▶ Continuous clearing: RBI moved CTS from batch clearing to continuous clearing with same-day settlement, starting 4 October 2025
- ▶ Positive Pay System (from 1 January 2021): the customer confirms key details of cheques of ₹50,000 and above in advance; banks may make it mandatory for ₹5 lakh and above
- ▶ Demand Draft (DD): a cheque issued by a bank itself; cannot bounce for lack of funds

EXAM FOCUS

- ▶ NI Act 1881: Sec 4 promissory note, Sec 5 bill of exchange, Sec 6 cheque, Sec 138 cheque bounce
- ▶ Drawer writes, drawee is the bank, payee receives
- ▶ Validity 3 months; stale after that
- ▶ CTS image clearing; Positive Pay for ₹50,000+

ONE-LINERS ASKED IN EXAMS

1. The person who writes and signs a cheque is called the → **Drawer**
2. In a cheque, the drawee is the → **Bank**
3. A cheque is valid for → **3 months**
4. A cheque presented after its validity period is called a → **Stale cheque**
5. A cheque with a future date is called → **Post-dated**



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WHO RUNS WHAT

System	Run by	Key fact
NEFT	RBI	Half-hourly batches; 24x7 since 16 December 2019; no minimum
RTGS	RBI	Real-time, one by one; minimum ₹2 lakh; 24x7 since 14 December 2020
IMPS	NPCI	Instant 24x7 transfer; limit ₹5 lakh per transaction
UPI	NPCI	Mobile payments using a UPI ID or QR code; launched 2016
NACH	NPCI	Bulk payments — salaries, pensions, subsidies, EMI
AePS	NPCI	Banking with Aadhaar number and fingerprint
BBPS (Bharat Connect)	NPCI	Bill payments across billers
NETC FASTag	NPCI	Electronic toll collection using RFID
RuPay	NPCI	India's own card network (2012)
CTS	RBI / NPCI	Cheque image clearing

REMEMBER FOR EXAM

RBI runs NEFT and RTGS; NPCI runs almost everything else (UPI, IMPS, RuPay, NACH, AePS, BBPS, FASTag).

NPCI

- ▶ National Payments Corporation of India, set up in 2008, headquartered in Mumbai
- ▶ A not-for-profit company promoted by RBI and the Indian Banks' Association (IBA)
- ▶ NPCI International Payments Ltd (NIPL) takes UPI and RuPay abroad

UPI — UNIFIED PAYMENTS INTERFACE

- ▶ Launched on 11 April 2016 (pilot by RBI Governor Raghuram Rajan)
- ▶ BHIM app: December 2016
- ▶ UPI 123PAY: for feature phones without internet (March 2022)
- ▶ UPI Lite: small payments without PIN (September 2022)
- ▶ RuPay credit cards can be linked to UPI (2022)
- ▶ UPI works in several countries such as Bhutan, Nepal, Singapore (PayNow link), UAE, France, Mauritius and Sri Lanka
- ▶ UPI handles the largest share of digital payments in India by volume

CENTRAL BANK DIGITAL CURRENCY — e₹

- ▶ Digital Rupee issued by RBI; same value as cash
- ▶ Pilot for wholesale use (e₹-W) began 1 November 2022; retail (e₹-R) on 1 December 2022
- ▶ Legal tender, held in a digital wallet; not a cryptocurrency

PREPAID PAYMENT INSTRUMENTS (PPIS)

- ▶ Wallets and prepaid cards; full-KYC wallets can hold up to ₹2 lakh
- ▶ Issued by banks and authorised non-banks (like Paytm, PhonePe wallets)

EXAM FOCUS

- ▶ RTGS minimum ₹2 lakh; IMPS ₹5 lakh per transaction
- ▶ NEFT 24x7 Dec 2019; RTGS 24x7 Dec 2020
- ▶ NPCI 2008, Mumbai; UPI 11 April 2016
- ▶ e₹ wholesale Nov 2022, retail Dec 2022

ONE-LINERS ASKED IN EXAMS

1. The minimum amount for an RTGS transaction is → **₹2 lakh**
2. NEFT became available 24x7 from → **16 December 2019**
3. RTGS became available 24x7 from → **December 2020**
4. The per-transaction limit for IMPS is → **₹5 lakh**
5. Which payment system is operated by RBI and not NPCI → **NEFT**



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THE "JAM" IDEA

Financial inclusion means giving every person access to a bank account, credit, insurance and pension at low cost. JAM = Jan Dhan accounts + Aadhaar + Mobile.

THE BIG SCHEMES

Scheme	Launched	Key features
Pradhan Mantri Jan Dhan Yojana (PMJDY)	28 August 2014	Zero-balance account, RuPay card with ₹2 lakh accident cover (accounts after 28 Aug 2018), overdraft up to ₹10,000
PM Jeevan Jyoti Bima Yojana (PMJJBY)	9 May 2015	Life cover ₹2 lakh; age 18–50; premium ₹436 a year
PM Suraksha Bima Yojana (PMSBY)	9 May 2015	Accident cover ₹2 lakh (₹1 lakh partial disability); age 18–70; premium ₹20 a year
Atal Pension Yojana (APY)	9 May 2015	Pension ₹1,000–₹5,000 a month after 60; join at 18–40; run by PFRDA; income-tax payers cannot join (since Oct 2022)
PM MUDRA Yojana (PMMY)	8 April 2015	Loans for micro businesses: Shishu up to ₹50,000; Kishore up to ₹5 lakh; Tarun up to ₹10 lakh; Tarun Plus up to ₹20 lakh
Stand-Up India	5 April 2016	₹10 lakh–₹1 crore for SC/ST and women entrepreneurs for new (greenfield) units
PM SVANidhi	June 2020	Small loans for street vendors; restructured in 2025 with higher amounts and a UPI-linked credit card
Sukanya Samriddhi Yojana	22 January 2015	Savings for a girl child below 10; ₹250 to ₹1.5 lakh a year

REMEMBER FOR EXAM

9 May 2015 = the "three social security schemes" day: PMJJBY, PMSBY, APY (launched in Kolkata).

REMEMBER FOR EXAM

MUDRA ladder: Shishu (baby) → Kishore (teen) → Tarun (young) → Tarun Plus.

OLDER INCLUSION STEPS

- ▶ Lead Bank Scheme (1969): one bank leads development in each district (Gadgil Study Group, Nariman Committee)
- ▶ SHG–Bank Linkage Programme (1992, NABARD)
- ▶ Business Correspondents (2006): agents who bring banking to villages

► Kisan Credit Card (1998)

MEASURING INCLUSION

- RBI's Financial Inclusion Index (FI-Index) started in August 2021; scale 0–100
- Three parts: Access 35%, Usage 45%, Quality 20%
- National Strategy for Financial Inclusion (NSFI) 2019–2024 was prepared by RBI

EXAM FOCUS

- PMJDY 28 Aug 2014; overdraft ₹10,000; accident cover ₹2 lakh
- PMJJBY ₹436 (18–50) life; PMSBY ₹20 (18–70) accident; both ₹2 lakh
- APY 18–40, pension ₹1,000–5,000, PFRDA
- MUDRA: 50k / 5L / 10L / 20L; Stand-Up India ₹10 lakh–₹1 crore

ONE-LINERS ASKED IN EXAMS

1. Pradhan Mantri Jan Dhan Yojana was launched on → **28 August 2014**
2. The overdraft facility under PMJDY is up to → **₹10,000**
3. The accident insurance cover on RuPay cards for PMJDY accounts opened after 28 August 2018 is → **₹2 lakh**
4. The annual premium for PMJJBY is → **₹436**
5. PMJJBY provides → **Life cover of ₹2 lakh**



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DICGC

Point	Fact
Full form	Deposit Insurance and Credit Guarantee Corporation
Law	DICGC Act, 1961
Formed	15 July 1978, by merging the Deposit Insurance Corporation (1962) and the Credit Guarantee Corporation of India (1971)
Owner	Wholly owned subsidiary of RBI
Headquarters	Mumbai
Cover	₹5 lakh per depositor per bank (principal + interest), since 4 February 2020
Premium	Paid by the bank, not the depositor
Payout	Within 90 days if a bank is put under restrictions (2021 amendment)

- Covers savings, current, fixed and recurring deposits
- Covers commercial banks (including foreign bank branches), RRBs, Small Finance Banks, Payments Banks, local area banks and cooperative banks
- Does NOT cover deposits of governments, inter-bank deposits or PACS
- History of the cover: ₹30,000 (1980) → ₹1 lakh (1993) → ₹5 lakh (2020)

REMEMBER FOR EXAM

₹5 lakh is per depositor, per bank — not per account.

NOTE

An increase in the ₹5 lakh limit has been discussed; check the Current Rates card for the latest value.

RBI INTEGRATED OMBUDSMAN SCHEME (RB-IOS)

Point	Fact
Launched	12 November 2021 — "One Nation, One Ombudsman"
Replaced	Banking Ombudsman Scheme (1995), NBFC and digital-transactions ombudsman schemes
Covers	Banks, NBFCs, payment system participants, credit information companies
When to complain	If the bank does not reply in 30 days, or the reply is unsatisfactory; within 1 year of the bank's reply
Fee	None
Compensation	Up to ₹20 lakh for loss, plus up to ₹1 lakh for time, expenses and harassment

REMEMBER FOR EXAM

First complain to the bank → wait 30 days → then go to the RBI Ombudsman.

CUSTOMER RIGHTS AND SAFETY

- ▶ Zero liability: if an unauthorised electronic transaction is reported within 3 working days, the customer loses nothing
- ▶ Limited liability if reported in 4–7 working days
- ▶ RBI's Charter of Customer Rights (2014) lists five rights: fair treatment, transparency, suitability, privacy, grievance redress
- ▶ Sachet portal (RBI): report unregistered deposit schemes and fraud
- ▶ National Cyber Crime helpline: 1930
- ▶ Banks cannot charge penalty interest; they can only levy reasonable penal charges (2024 rule)

EXAM FOCUS

- ▶ DICGC: 1978, RBI subsidiary, ₹5 lakh per depositor per bank (since 2020)
- ▶ Not covered: government deposits, inter-bank deposits, PACS
- ▶ RB-IOs 12 Nov 2021; ₹20 lakh + ₹1 lakh; complain after 30 days
- ▶ Zero liability if fraud reported in 3 working days

ONE-LINERS ASKED IN EXAMS

1. DICGC is a wholly owned subsidiary of → **RBI**
2. The deposit insurance cover per depositor per bank is → **₹5 lakh**
3. Deposit insurance was raised from ₹1 lakh to ₹5 lakh in → **2020**
4. The premium for deposit insurance is paid by → **The bank**
5. Which deposits are NOT covered by DICGC → **Deposits of State Governments**



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MONEY MARKET VS CAPITAL MARKET

Point	Money market	Capital market
Period	Up to 1 year	More than 1 year
Purpose	Short-term funds	Long-term funds
Regulator	RBI	SEBI (and RBI for government bonds)
Examples	Call money, T-Bills, CP, CD	Shares, bonds, debentures

REMEMBER FOR EXAM

"Money" market = short (≤ 1 year); "Capital" market = long (> 1 year).

INTER-BANK MARKETS

Market	Period
Call money	1 day (overnight)
Notice money	2 to 14 days
Term money	15 days to 1 year

- MIBOR (Mumbai Interbank Offered Rate) is the benchmark rate for inter-bank lending
- Banks, primary dealers and some others take part

MONEY MARKET INSTRUMENTS

Instrument	Issued by	Period	Key point
Treasury Bills (T-Bills)	RBI on behalf of the Central Government	91, 182 and 364 days	Issued at a discount, repaid at face value (zero-coupon)
Cash Management Bills (CMBs)	Central Government	Less than 91 days	For temporary cash gaps
Commercial Paper (CP)	Companies, NBFCs, PDs	7 days to 1 year	Unsecured promissory note; minimum ₹5 lakh
Certificate of Deposit (CD)	Banks (and FIs)	Banks: 7 days to 1 year; FIs: 1 to 3 years	Minimum ₹5 lakh
Repo / Reverse Repo	Banks, RBI	Short term	Borrowing against securities
TREPS (Tri-party Repo)	Run by CCIL	Short term	Replaced CBLO in 2018

- State governments do not issue T-Bills; they issue State Development Loans (long-term)

REMEMBER FOR EXAM

T-Bill tenures to remember: 91 – 182 – 364.

GOVERNMENT SECURITIES (G-SECS)

- ▶ Long-term bonds of the Central and State Governments, managed by RBI
- ▶ Retail investors can buy G-Secs directly through the RBI Retail Direct portal (2021)
- ▶ Sovereign Gold Bonds were issued by RBI for the Government (new issues stopped in 2024–25)

EXAM FOCUS

- ▶ Money market $\leq$ 1 year (RBI); capital market $>$ 1 year (SEBI)
- ▶ Call 1 day, notice 2–14 days, term 15 days–1 year
- ▶ T-Bills: 91/182/364 days, zero-coupon, Central Government only
- ▶ CP: companies, 7 days–1 year; CD: banks; TREPS replaced CBLO

ONE-LINERS ASKED IN EXAMS

1. The money market deals with funds for a period of → **Up to 1 year**
2. The regulator of the money market in India is → **RBI**
3. Call money is borrowed for → **1 day**
4. Notice money is borrowed for → **2 to 14 days**
5. Treasury Bills are issued for which tenures → **91, 182, 364 days**



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SEBI

Point	Fact
Full form	Securities and Exchange Board of India
Set up	12 April 1988 (non-statutory)
Statutory powers	30 January 1992 under the SEBI Act, 1992
Headquarters	Mumbai
Role	Protects investors, regulates stock exchanges, brokers, mutual funds, IPOs

NOTE

SEBI's chairperson changes — check Banking News for the current name.

PRIMARY VS SECONDARY MARKET

Market	What happens	Examples
Primary market	New securities are sold for the first time	IPO, FPO, rights issue, private placement
Secondary market	Existing securities are traded	Buying shares on BSE or NSE

- ▶ IPO: Initial Public Offer — a company's first sale of shares to the public
- ▶ FPO: Follow-on Public Offer — a listed company issues more shares
- ▶ OFS: Offer for Sale — existing shareholders (often the Government) sell shares
- ▶ Rights issue: new shares offered to existing shareholders
- ▶ Bonus issue: free shares from reserves
- ▶ Green shoe option: lets the issuer sell extra shares if demand is high (price stabilisation)

REMEMBER FOR EXAM

IPO = first time; FPO = again.

STOCK EXCHANGES AND INDICES

Exchange / Index	Fact
BSE (Bombay Stock Exchange)	Set up 1875 — Asia's oldest stock exchange
SENSEX	30 companies; base year 1978–79 = 100
NSE (National Stock Exchange)	Set up 1992; first fully electronic exchange in India
NIFTY 50	50 companies; base 1995 = 1,000

- ▶ Settlement cycle in India is T+1 (fully from January 2023); optional same-day T+0 since 2024
- ▶ Bull market: prices rising; bear market: prices falling

DEPOSITORIES

- ▶ NSDL (1996) and CDSL (1999) hold shares in electronic (demat) form
- ▶ Depository participants (brokers, banks) open demat accounts

MUTUAL FUNDS AND INVESTORS

- ▶ UTI (Unit Trust of India), set up in 1963, was the first mutual fund
- ▶ AMFI: Association of Mutual Funds in India
- ▶ SIP: Systematic Investment Plan (regular small investments)
- ▶ FPI: Foreign Portfolio Investor (shares and bonds); FDI: long-term investment with control

BONDS BY MARKET

Bond	Issued in
Masala bond	Abroad, but in Indian rupees
Samurai bond	Japan
Yankee bond	USA
Bulldog bond	UK
Kangaroo bond	Australia
Panda bond	China (yuan)

- ▶ ADR (American Depositary Receipt) and GDR (Global Depositary Receipt) let Indian companies raise money abroad
- ▶ The first masala bond was issued by the IFC (World Bank group) in 2014; HDFC was the first Indian company (2016)

EXAM FOCUS

- ▶ SEBI 1988, statutory 1992, Mumbai
- ▶ BSE 1875 (Asia's oldest), SENSEX 30; NSE 1992, NIFTY 50
- ▶ NSDL 1996, CDSL 1999; T+1 settlement
- ▶ Masala = rupee bond abroad; Samurai Japan; Yankee USA; Bulldog UK

ONE-LINERS ASKED IN EXAMS

1. SEBI got statutory powers in → **1992**
2. SEBI was first set up in → **1988**
3. The headquarters of SEBI is in → **Mumbai**
4. Asia's oldest stock exchange is → **BSE**

5. SENSEX is made up of how many companies → **30**



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Insurance Sector

KEY BODIES

Body	Fact
IRDAI	Insurance Regulatory and Development Authority of India; IRDA Act 1999; statutory from April 2000; HQ Hyderabad
LIC	Life Insurance Corporation of India; set up 1 September 1956 by merging 245 companies; HQ Mumbai
GIC Re	General Insurance Corporation of India (1972); India's national reinsurer; HQ Mumbai
ECGC	Export Credit Guarantee Corporation (1957); insures exporters against non-payment; HQ Mumbai
AIC	Agriculture Insurance Company of India (2002); crop insurance; HQ New Delhi

REMEMBER FOR EXAM

IRDAI is in Hyderabad — the only big financial regulator not in Mumbai or Delhi.

PUBLIC SECTOR GENERAL INSURERS

Company	Headquarters
New India Assurance	Mumbai
National Insurance	Kolkata
Oriental Insurance	New Delhi
United India Insurance	Chennai

► General insurance was nationalised in 1972 (in force from 1973)

REFORMS

- Malhotra Committee (1993) recommended opening insurance to private companies
- FDI limit: 26% (2000) → 49% (2015) → 74% (2021) → 100% (Sabka Bima Sabki Raksha Act, passed December 2025)
- Bima Sugam: an online marketplace to buy, renew and claim insurance in one place

TYPES OF INSURANCE

Type	Covers
Term insurance	Pure life cover; pays only on death within the term
Endowment	Life cover + savings; pays on death or maturity
ULIP	Unit Linked Insurance Plan; insurance + market investment

Health insurance	Hospital and medical costs
Motor insurance	Vehicles; third-party cover is compulsory under the Motor Vehicles Act
Reinsurance	Insurance for insurance companies

► Bancassurance: banks selling insurance products of insurers

GOVERNMENT INSURANCE SCHEMES

Scheme	Launched	Key point
PM Fasal Bima Yojana (PMFBY)	2016	Crop insurance; farmer premium 2% (kharif), 1.5% (rabi), 5% (commercial/horticulture)
Ayushman Bharat – PM-JAY	23 September 2018 (Ranchi)	Health cover of ₹5 lakh per family per year
PMJJBY / PMSBY	2015	Life and accident cover of ₹2 lakh

INSURANCE TERMS

- Premium: amount paid for cover; Sum assured: amount promised
- Nominee: person who gets the money on death
- Surrender value: money got by ending a policy early
- Claim settlement ratio: share of claims paid
- Free-look period: time to return a new policy (now 30 days for most life policies)

EXAM FOCUS

- IRDAI: 1999 Act, Hyderabad; LIC 1956 (245 companies); GIC Re: national reinsurer
- Insurance FDI now 100% (Dec 2025)
- PMFBY premiums 2% / 1.5% / 5%; PM-JAY ₹5 lakh per family
- Malhotra Committee (1993)

ONE-LINERS ASKED IN EXAMS

1. The headquarters of IRDAI is in → **Hyderabad**
2. LIC was established in → **1956**
3. LIC was formed by merging how many insurance companies → **245**
4. India's national reinsurer is → **GIC Re**
5. The committee that recommended opening the insurance sector to private players was the → **Malhotra Committee**



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Currency & Coinage

WHO ISSUES WHAT

Item	Issued by
Currency notes ₹2 and above	RBI (Section 22 of the RBI Act)
₹1 note and all coins	Government of India (Coinage Act, 2011)
Distribution of coins	RBI

- ▶ India's currency is the Indian Rupee (INR); its symbol ₹ was adopted on 15 July 2010
- ▶ The ₹ symbol was designed by D. Udaya Kumar (from IIT Bombay; later taught at IIT Guwahati)
- ▶ The symbol blends the Devanagari "₹" and the Roman "R"

WHERE MONEY IS MADE

Place	What	Run by
Nashik (Maharashtra)	Currency notes	SPMCIL (Government)
Dewas (Madhya Pradesh)	Currency notes	SPMCIL
Mysuru (Karnataka)	Currency notes	BRBNMPL (RBI)
Salboni (West Bengal)	Currency notes	BRBNMPL
Mumbai, Hyderabad, Kolkata, Noida	Coins (4 mints)	SPMCIL
Narmadapuram (Hoshangabad)	Security paper for notes	SPMCIL
Mysuru	Bank-note paper (BVPL)	BRBNMPL joint venture

REMEMBER FOR EXAM

Notes: Nashik, Dewas, Mysuru, Salboni. Coins: Mumbai, Hyderabad, Kolkata, Noida.

NOTES FACTS

- ▶ Mahatma Gandhi series of notes started in 1996; Mahatma Gandhi (New) series in 2016
- ▶ The language panel on notes carries 15 languages, plus Hindi and English on the front = 17
- ▶ The highest note ever printed was ₹10,000 (1938 and 1954)
- ▶ Demonetisation: 1946, 1978 (₹1,000, ₹5,000, ₹10,000) and 8 November 2016 (₹500 and ₹1,000)
- ▶ ₹2,000 notes were introduced in November 2016; RBI announced their withdrawal from circulation on 19 May 2023, but they remain legal tender
- ▶ Clean Note Policy (1999): RBI replaces soiled notes; damaged notes are exchanged under the Note Refund Rules

MONEY SUPPLY MEASURES

Measure	What it includes
M0 (Reserve money)	Currency in circulation + bankers' deposits with RBI + other deposits with RBI
M1 (Narrow money)	Currency with the public + demand deposits + other deposits with RBI
M3 (Broad money)	M1 + time deposits with banks

- ▶ Fiat money: money that is legal tender because the Government says so
- ▶ Currency chest: a store of notes and coins held by banks on behalf of RBI

DIGITAL RUPEE

- ▶ e₹ (CBDC) issued by RBI: wholesale pilot November 2022, retail pilot December 2022

EXAM FOCUS

- ▶ ₹1 note and coins: Government; other notes: RBI
- ▶ ₹ symbol: 15 July 2010, D. Udaya Kumar
- ▶ Note presses: Nashik, Dewas (SPMCIL) and Mysuru, Salboni (BRBNMPL)
- ▶ Demonetisation 8 Nov 2016; ₹2,000 withdrawal 19 May 2023

ONE-LINERS ASKED IN EXAMS

1. Coins in India are issued by → **Government of India**
2. The ₹ symbol was officially adopted on → **15 July 2010**
3. The ₹ symbol was designed by → **D. Udaya Kumar**
4. Which of these is NOT a currency-note press → **Noida**
5. Which of these cities does NOT have a coin mint → **Dewas**



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INFLATION

Term	Meaning
Inflation	General rise in prices over time
Deflation	General fall in prices
Disinflation	Inflation is still positive but slowing down
Stagflation	High inflation + low growth + high unemployment
Reflation	Deliberate effort to raise prices after a slowdown
Hyperinflation	Extremely fast price rise (50%+ a month)
Demand-pull inflation	Too much money chasing too few goods
Cost-push inflation	Rise in input costs (wages, oil)
Headline inflation	Overall CPI inflation
Core inflation	Inflation without food and fuel

PRICE INDICES IN INDIA

Index	Published by	Base year
CPI (Consumer Price Index)	National Statistics Office (MoSPI)	2024 = 100 (new series from February 2026; earlier 2012)
WPI (Wholesale Price Index)	Office of the Economic Adviser, DPIIT (Commerce Ministry)	2011-12

- ▶ RBI's inflation target is based on CPI (combined) inflation
- ▶ The new CPI (2024) covers more items (358) using the 2023-24 household spending survey

REMEMBER FOR EXAM

CPI → MoSPI (base 2024); WPI → DPIIT (base 2011-12).

GDP AND NATIONAL INCOME

- ▶ GDP: value of final goods and services produced inside a country in a year
- ▶ GNP = GDP + net income from abroad
- ▶ GVA: GDP minus product taxes plus product subsidies (value added by sectors)
- ▶ Nominal GDP uses current prices; real GDP removes inflation
- ▶ GDP estimates are released by NSO (MoSPI); new GDP series base year 2022-23 (released February 2026, replacing 2011-12)

GOVERNMENT BUDGET TERMS

Term	Meaning
Fiscal deficit	Total expenditure – total receipts (excluding borrowings)
Revenue deficit	Revenue expenditure – revenue receipts
Primary deficit	Fiscal deficit – interest payments
Effective revenue deficit	Revenue deficit – grants for creation of capital assets

- ▶ The Union Budget is the "Annual Financial Statement" under Article 112 of the Constitution
- ▶ FRBM Act, 2003: law for fiscal discipline
- ▶ Finance Commission: Article 280; the 16th Finance Commission was chaired by Arvind Panagariya (period 2026–31)
- ▶ NITI Aayog replaced the Planning Commission on 1 January 2015

TAXES

- ▶ Direct taxes: income tax, corporate tax (burden cannot be shifted)
- ▶ Indirect taxes: GST, customs duty (passed to consumers)
- ▶ GST came into force on 1 July 2017 (101st Constitutional Amendment); GST Council under Article 279A
- ▶ From 22 September 2025, GST was simplified to two main slabs, 5% and 18%, with a 40% rate for sin and luxury goods

EXAM FOCUS

- ▶ Stagflation = high inflation + stagnation; disinflation = slowing inflation
- ▶ CPI base 2024 (MoSPI); WPI base 2011–12 (DPIIT); GDP base 2022–23
- ▶ Primary deficit = fiscal deficit – interest
- ▶ Budget Art 112; Finance Commission Art 280; GST 1 July 2017

ONE-LINERS ASKED IN EXAMS

1. A situation of high inflation along with low growth and high unemployment is called → **Stagflation**
2. When the rate of inflation falls but prices still rise, it is called → **Disinflation**
3. The Consumer Price Index in India is released by → **NSO (MoSPI)**
4. The Wholesale Price Index is released by the → **Office of the Economic Adviser, DPIIT**
5. The base year of the new CPI series released in February 2026 is → **2024**



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THE MAIN INSTITUTIONS

Institution	Set up	Headquarters	Key facts
IMF (International Monetary Fund)	1944 (Bretton Woods), working from 1945	Washington DC	Helps countries with balance-of-payments problems; issues SDR
World Bank (IBRD)	1944, working from 1945	Washington DC	Long-term development loans
BIS (Bank for International Settlements)	1930	Basel, Switzerland	"Central bank of central banks"; oldest international financial body
ADB (Asian Development Bank)	1966	Manila, Philippines	Development in Asia-Pacific; Japan and the USA are the largest shareholders
AIIB (Asian Infrastructure Investment Bank)	2016	Beijing, China	Infrastructure in Asia; China largest, India second-largest shareholder
NDB (New Development Bank)	2015	Shanghai, China	Set up by BRICS; first president K.V. Kamath (India)
FATF (Financial Action Task Force)	1989	Paris	Sets standards against money laundering and terror financing; grey and black lists
WTO (World Trade Organization)	1 January 1995	Geneva	Replaced GATT; global trade rules
FSB (Financial Stability Board)	2009	Basel	Monitors the global financial system for the G20

REMEMBER FOR EXAM

IMF and World Bank are the "Bretton Woods twins" (1944, Washington DC).

WORLD BANK GROUP — FIVE PARTS

Body	Work
IBRD	Loans to middle-income countries
IDA	Interest-free/soft loans to the poorest countries
IFC	Lends to the private sector
MIGA	Insurance against political risk for investors
ICSID	Settles investment disputes

NOTE

India is not a member of ICSID.

IMF DETAILS

- ▶ SDR (Special Drawing Rights): IMF's reserve asset, valued on a basket of 5 currencies — US dollar, euro, Chinese yuan, Japanese yen and British pound
- ▶ The Indian rupee is not in the SDR basket
- ▶ India's Finance Minister is the ex-officio Governor of India at the IMF; the RBI Governor is the alternate
- ▶ Main reports: World Economic Outlook, Global Financial Stability Report, Fiscal Monitor

OTHER REPORTS TO REMEMBER

Report	Released by
World Development Report	World Bank
Global Economic Prospects	World Bank
B-READY (Business Ready) — replaced Ease of Doing Business	World Bank (first edition 2024)
World Investment Report	UNCTAD
Human Development Report	UNDP
Global Competitiveness Report	World Economic Forum

SWIFT

- ▶ Society for Worldwide Interbank Financial Telecommunication, set up in 1973, headquartered in La Hulpe, Belgium
- ▶ A secure messaging network for international bank transfers (SWIFT/BIC code: 8 or 11 characters)

EXAM FOCUS

- ▶ IMF & World Bank: 1944, Washington DC; BIS 1930 Basel
- ▶ ADB 1966 Manila; AIIB 2016 Beijing; NDB 2015 Shanghai
- ▶ SDR basket: USD, EUR, CNY, JPY, GBP
- ▶ FATF Paris (1989); WTO Geneva (1995)

ONE-LINERS ASKED IN EXAMS

1. The headquarters of the IMF is in → **Washington DC**
2. The IMF and World Bank were created at the → **Bretton Woods Conference, 1944**
3. The oldest international financial institution is → **BIS**
4. The headquarters of the Asian Development Bank is in → **Manila**
5. The New Development Bank was set up by → **BRICS**



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MOST-ASKED COMMITTEES

Committee	Year	Subject
Hilton Young Commission	1926	Setting up RBI
A.D. Gorwala (AIRCS)	1951	Rural credit; SBI formation
Gadgil Study Group / Nariman Committee	1969	Lead Bank Scheme
Tandon Committee	1974	Working capital finance
Chore Committee	1979	Cash credit system
CRAFICARD (B. Sivaraman)	1979–81	Setting up NABARD
Sukhamoy Chakravarty	1985	Working of the monetary system
Vaghul Committee	1987	Money market
Narasimham Committee I	1991	Financial system reforms
Malhotra Committee	1993	Insurance sector reforms
Narasimham Committee II	1998	Banking sector reforms
R.V. Gupta Committee	1998	Kisan Credit Card / agricultural credit
Y.H. Malegam Committee	2010	Microfinance institutions
Damodaran Committee	2011	Customer service in banks
Nachiket Mor Committee	2013	Financial inclusion; Payments and Small Finance Banks
Urjit Patel Committee	2014	Monetary policy framework; inflation targeting
P.J. Nayak Committee	2014	Governance of bank boards → Banks Board Bureau
Bimal Jalan Committee	2019	RBI's economic capital framework (surplus transfer)
Nandan Nilekani Committee	2019	Deepening digital payments
K.V. Kamath Committee	2020	COVID-19 loan restructuring

REMEMBER FOR EXAM

Narasimham I (1991) = whole financial system; Narasimham II (1998) = banks only.

WHAT NARASIMHAM COMMITTEES RECOMMENDED

- ▶ Lower CRR and SLR
- ▶ Freedom for banks to set interest rates
- ▶ Entry of new private banks

- ▶ Asset Reconstruction Funds for bad loans
- ▶ Narasimham II: stronger capital (CRAR), merger of strong banks, Narrow Banking for weak banks

OTHER COMMITTEES WORTH KNOWING

Committee	Subject
Raghuram Rajan (2008)	Financial sector reforms
Rangarajan (1984/1989)	Computerisation of banks
Deepak Mohanty (2015)	Medium-term path on financial inclusion
Sudarshan Sen (2020)	Asset Reconstruction Companies
Goiporia (1990)	Customer service
S.S. Tarapore (1997, 2006)	Capital account convertibility

NOTE

These are asked as "Match the committee with its subject" — learn the subject, not just the name.

EXAM FOCUS

- ▶ NABARD: CRAFTICARD (Sivaraman); SBI: Gorwala; RBI: Hilton Young
- ▶ Payments/SFBs: Nachiket Mor; inflation targeting: Urjit Patel
- ▶ KCC: R.V. Gupta; insurance: Malhotra; MFIs: Malegam
- ▶ Banks Board Bureau: P.J. Nayak; RBI surplus: Bimal Jalan

ONE-LINERS ASKED IN EXAMS

1. The Narasimham Committee I (1991) was related to → **Financial system reforms**
2. Narasimham Committee II (1998) dealt with → **Banking sector reforms**
3. Which committee is linked with the inflation-targeting framework → **Urjit Patel**
4. The committee on RBI's economic capital framework (2019) was headed by → **Bimal Jalan**
5. The Malegam Committee (2010) studied → **Microfinance institutions**



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**A–D**

- ▶ Amortisation: paying off a loan gradually through regular instalments
- ▶ Arbitrage: buying in one market and selling in another to profit from a price difference
- ▶ Bad bank: an entity that buys bad loans from banks (e.g. NARCL)
- ▶ Bancassurance: banks selling insurance products
- ▶ Basis point (bps): 0.01%; 25 bps = 0.25%
- ▶ Bear / Bull: falling market / rising market
- ▶ Call money: overnight borrowing between banks
- ▶ CASA: current and savings deposits — cheap funds for banks
- ▶ Collateral: an asset pledged as security for a loan
- ▶ Credit rating: an opinion on a borrower's ability to repay (CRISIL, ICRA, CARE)
- ▶ Credit score: an individual's credit history score, from 300 to 900 (CIBIL and others)
- ▶ Debenture: a loan certificate issued by a company; holders get fixed interest
- ▶ Dormant account: no customer transaction for 2 years

REMEMBER FOR EXAM

100 basis points = 1%.

E–L

- ▶ EMI: Equated Monthly Instalment — the same amount paid every month
- ▶ Factoring: a business sells its receivables to a factor for immediate cash
- ▶ Forfaiting: factoring of medium-term export receivables
- ▶ Haircut: a cut in the value of collateral (or loss taken by lenders in a settlement)
- ▶ Hawala: illegal transfer of money outside the banking system
- ▶ Hedging: protecting against price or currency risk
- ▶ Inverted yield curve: short-term rates higher than long-term rates (often a sign of recession)
- ▶ KYC: Know Your Customer
- ▶ Leverage: using borrowed money to invest
- ▶ LTV: Loan to Value — the loan as a share of the asset's value
- ▶ Liquidity: how quickly an asset can be turned into cash

M–R

- ▶ Microfinance: small loans to poor households, often through groups

- ▶ Moratorium: a pause in loan repayment
- ▶ Narrow banking: investing deposits only in safe government securities
- ▶ Nostro account: our bank's account in a foreign bank (in their currency)
- ▶ Vostro account: a foreign bank's account with an Indian bank (in rupees)
- ▶ Overdraft: withdrawing more than the account balance
- ▶ Portfolio: a collection of investments
- ▶ Quantitative easing: a central bank buying bonds on a large scale to add money
- ▶ Repo: sale of securities with an agreement to buy them back
- ▶ Rupee depreciation: fall in the rupee's value against other currencies

REMEMBER FOR EXAM

Nostro = "ours with you"; Vostro = "yours with us".

S-Z

- ▶ Securitisation: turning loans into tradable securities
- ▶ Sweep account: surplus in a savings account moves into an FD automatically
- ▶ Teaser loan: low interest for the first few years, higher later
- ▶ Underwriting: guaranteeing to buy unsold shares in an issue
- ▶ Usury: lending at very high interest
- ▶ Venture capital: money for start-ups in return for a share
- ▶ Window dressing: making accounts look better at the year-end
- ▶ Yield: return on an investment
- ▶ Zero coupon bond: issued at a discount, no interest paid, redeemed at face value

EXAM FOCUS

- ▶ 1 basis point = 0.01%; 100 bps = 1%
- ▶ Nostro (our account abroad) vs Vostro (foreign bank's account in India)
- ▶ Haircut, factoring vs forfaiting, securitisation
- ▶ Credit score 300-900

ONE-LINERS ASKED IN EXAMS

1. One basis point equals → **0.01%**
2. If RBI raises the repo rate by 25 basis points, the increase is → **0.25%**
3. An Indian bank's account with a foreign bank, in that foreign currency, is called a → **Nostro account**
4. A foreign bank's rupee account maintained with an Indian bank is a → **Vostro account**
5. The reduction applied to the value of collateral is called a → **Haircut**



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REGULATORS & INSTITUTIONS

Short form	Full form
RBI	Reserve Bank of India
SEBI	Securities and Exchange Board of India
IRDAI	Insurance Regulatory and Development Authority of India
PFRDA	Pension Fund Regulatory and Development Authority
NABARD	National Bank for Agriculture and Rural Development
SIDBI	Small Industries Development Bank of India
EXIM Bank	Export-Import Bank of India
NHB	National Housing Bank
NaBFID	National Bank for Financing Infrastructure and Development
NPCI	National Payments Corporation of India
DICGC	Deposit Insurance and Credit Guarantee Corporation
IBA	Indian Banks' Association
IBBI	Insolvency and Bankruptcy Board of India
CERSAI	Central Registry of Securitisation Asset Reconstruction and Security Interest of India
CCIL	Clearing Corporation of India Ltd
FIU-IND	Financial Intelligence Unit – India
MUDRA	Micro Units Development and Refinance Agency
NARCL	National Asset Reconstruction Company Ltd
CIBIL	Credit Information Bureau (India) Ltd
FSDC	Financial Stability and Development Council

RATES & RATIOS

Short form	Full form
CRR	Cash Reserve Ratio
SLR	Statutory Liquidity Ratio
MSF	Marginal Standing Facility
SDF	Standing Deposit Facility
LAF	Liquidity Adjustment Facility
OMO	Open Market Operations

MCLR	Marginal Cost of Funds based Lending Rate
EBLR	External Benchmark Lending Rate
CRAR	Capital to Risk-weighted Assets Ratio
CAR	Capital Adequacy Ratio
LCR	Liquidity Coverage Ratio
NSFR	Net Stable Funding Ratio
NDTL	Net Demand and Time Liabilities
ANBC	Adjusted Net Bank Credit
PCR	Provision Coverage Ratio
MIBOR	Mumbai Interbank Offered Rate

PAYMENTS & ACCOUNTS

Short form	Full form
NEFT	National Electronic Funds Transfer
RTGS	Real Time Gross Settlement
IMPS	Immediate Payment Service
UPI	Unified Payments Interface
NACH	National Automated Clearing House
AePS	Aadhaar Enabled Payment System
BBPS	Bharat Bill Payment System
BHIM	Bharat Interface for Money
CTS	Cheque Truncation System
MICR	Magnetic Ink Character Recognition
IFSC	Indian Financial System Code
ECS	Electronic Clearing Service
PIN	Personal Identification Number
CVV	Card Verification Value
ATM	Automated Teller Machine
POS	Point of Sale
NFC	Near Field Communication
CBDC	Central Bank Digital Currency
PPI	Prepaid Payment Instrument
KYC	Know Your Customer
CKYC	Central Know Your Customer
CASA	Current Account Savings Account
NRE / NRO	Non-Resident External / Non-Resident Ordinary

FCNR	Foreign Currency Non-Resident
BSBDA	Basic Savings Bank Deposit Account
EMI	Equated Monthly Instalment

LAWS, SCHEMES & MARKETS

Short form	Full form
FEMA	Foreign Exchange Management Act
PMLA	Prevention of Money Laundering Act
SARFAESI	Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest
IBC	Insolvency and Bankruptcy Code
FRBM	Fiscal Responsibility and Budget Management
NCLT	National Company Law Tribunal
DRT	Debt Recovery Tribunal
NPA	Non-Performing Asset
SMA	Special Mention Account
ARC	Asset Reconstruction Company
PCA	Prompt Corrective Action
D-SIB	Domestic Systemically Important Bank
PSL	Priority Sector Lending
KCC	Kisan Credit Card
PMJDY	Pradhan Mantri Jan Dhan Yojana
PMJJBY	Pradhan Mantri Jeevan Jyoti Bima Yojana
PMSBY	Pradhan Mantri Suraksha Bima Yojana
APY	Atal Pension Yojana
PMFBY	Pradhan Mantri Fasal Bima Yojana
SHG	Self-Help Group
RB-IOS	Reserve Bank – Integrated Ombudsman Scheme
IPO / FPO	Initial Public Offer / Follow-on Public Offer
NAV	Net Asset Value
SIP	Systematic Investment Plan
FPI / FDI	Foreign Portfolio Investment / Foreign Direct Investment
ADR / GDR	American / Global Depository Receipt
NSDL / CDSL	National Securities Depository Ltd / Central Depository Services (India) Ltd
T-Bill	Treasury Bill
CP / CD	Commercial Paper / Certificate of Deposit

TREPS	Tri-party Repo Dealing and Settlement
GDP / GVA	Gross Domestic Product / Gross Value Added
CPI / WPI	Consumer Price Index / Wholesale Price Index
SDR	Special Drawing Rights
SWIFT	Society for Worldwide Interbank Financial Telecommunication
FATF	Financial Action Task Force
BIS	Bank for International Settlements
AIIB	Asian Infrastructure Investment Bank
NDB	New Development Bank

EXAM FOCUS

- Learn the regulators (RBI, SEBI, IRDAI, PFRDA, IBBI) and their full forms first
- Payment and rate abbreviations are the most frequently asked

ONE-LINERS ASKED IN EXAMS

1. SARFAESI stands for → **Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest**
2. MCLR stands for → **Marginal Cost of Funds based Lending Rate**
3. IFSC stands for → **Indian Financial System Code**
4. MICR stands for → **Magnetic Ink Character Recognition**
5. CRAR stands for → **Capital to Risk-weighted Assets Ratio**



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TOP DATES

Date	Event
1770	Bank of Hindustan — first bank
27 Jan 1921	Imperial Bank of India
1 April 1935	RBI starts
1 Jan 1949	RBI nationalised
1 July 1955	SBI formed
1 Sept 1956	LIC formed
19 July 1969	14 banks nationalised
2 Oct 1975	First RRB (Prathama Bank)
15 April 1980	6 banks nationalised
12 July 1982	NABARD
2 April 1990	SIDBI
30 Jan 1992	SEBI gets statutory powers
1 July 2017	GST
1 April 2020	Mega merger → 12 PSBs
12 Nov 2021	RB-IOs (One Nation One Ombudsman)

TOP NUMBERS

Item	Number
NPA	Overdue more than 90 days
Deposit insurance	₹5 lakh per depositor per bank
RTGS minimum	₹2 lakh
IMPS limit	₹5 lakh per transaction
Cheque validity	3 months
Payments bank deposit limit	₹2 lakh
Payments bank / SFB capital	₹100 crore / ₹200 crore
PSL target	40% (RRB & SFB 75%); agriculture 18%
CRAR in India	9% + 2.5% CCB = 11.5%
MPC	6 members; CPI 4% ± 2%
SLR legal maximum	40%

T-Bills	91, 182, 364 days
IFSC / MICR	11 characters / 9 digits
RRBs	28 (after May 2025)
Insurance FDI	100% (December 2025 law)

NOTE

Policy rates (repo, SDF, MSF, CRR, SLR) change — use the Current Rates card at the top.

REGULATORS AND THEIR HEADQUARTERS

Body	HQ
RBI, SEBI, NABARD, NPCI, DICGC, EXIM Bank, LIC	Mumbai
IRDAI	Hyderabad
SIDBI	Lucknow
NHB, PFRDA, IBBI	New Delhi

WHO RUNS WHAT

- ▶ RBI: monetary policy, notes (₹2+), banks, NBFCs, NEFT/RTGS, forex
- ▶ Government: ₹1 note, coins, Budget, GST
- ▶ NPCI: UPI, IMPS, RuPay, NACH, AePS, BBPS, FASTag
- ▶ SEBI: shares, mutual funds, brokers; IRDAI: insurance; PFRDA: NPS and APY

EXAM FOCUS

- ▶ Revise this page the night before the exam
- ▶ Practise these 20 mixed questions, then the chapter sets you score lowest in

ONE-LINERS ASKED IN EXAMS

1. The Monetary Policy Committee is chaired by the → **RBI Governor**
2. Which body runs UPI → **NPCI**
3. IRDAI is headquartered in → **Hyderabad**
4. A loan becomes an NPA when it is overdue for more than → **90 days**
5. Deposit insurance cover per depositor per bank is → **₹5 lakh**



20 exam questions on this chapter

Scan to practise with answers in the PrepZen app · prepzen.in/a/bk-26