HNCC BBA's

Jijnasa

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14th Annual Seminar
on

"Emerging Trends In Banking"

21st January, 2017

S.A.P. D. J. Pathashala's,

Hirachand Nemchand College of Commerce, Solapur
Department of Management Studies
BBA Section
Seth Walchand Hirachand Marg, Ashok Chowk, Solapur 413 006
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ON

"Emerging Trends in Banking"

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Organized by

Hirachand Nemchand College of Commerce, Solapur

(BBA Section)

Walchand Hirachand Marg,

Ashok Chowk,

Solapur- 413 006

Shri Aillak Pannalal Digambar Jain Pathashala

Shri Aillak Pannalal Digambar Jain Pathashala was established by the doyen of Jain community Shri Seth Hirachand Nemchand. It was established in the year 1885 with the sole intension to serve society. The trust fosters the spirit of 'Sharma Culture' through the igneous philosophy of 'Shikshan Haach Dharma' and thus this protects traditional education. The trust imparts education from Primary education right up Post Graduation level. The holy act imparting education not just restricted to Solapur city but also extended to the towns of KUNTHALGIRI and ASHTHI. About 10000 students avail the education facilities provided the Pathashala.

The trust offers Bachelor degrees in the Engineering, Arts, commerce, Science and Education and postgraduate courses in the Business Administration, Marathi, economics and Social Work. Student's folks desperately prefer to seek entry for various courses run under the auspices of Trust. Thousands of Students, who sought education here hail from different states, are placed in high position in various sectors. It could happen only because of the cherished values like Integrity, Justice, Equality and Morality that are ingrained in the Mission and Vision of the Pathashala. Thus the Centurion Institution has sustained unique academic legacy, which goes down in the history of India for Centuries to come. Such a trust, dedicated to all-round development in the field of education is also alert to changes occurring in the field and according provides the necessary educational facilities.

About H.N. College of Commerce

Our college is run by SAPDJ Pathashala having a bright history of about 125 years in the educational field. Hirachand Nemchand College of Commerce was established in the Year 1972 and is now affiliated to Solapur University, Solapur. Earlier it was affiliated to Shivaji University, Kolhapur. The college offers conventional and professional courses like M.B.A., B.B.A., B.C.A., M. Com., B. Com., and vocational courses at Junior College level.

H.N.C.C has always been at the forefront to extend the necessary educational facilities as per the demand. The college aims at the overall development of the students. It toils to build up the resources that will ensure life more dignified and useful as long as time endures.

BBA (Bachelor of Business Administration)

HNCC has pioneered in the process of induction of BBA Course in Solapur. Considering the need of professionalism BBA Course was started in the year 2003 under affiliation of Shivaji University, Kolhapur. In 2004 with the establishment of Solapur University, it had shifted to Solapur University, Solapur.

Our focus is on professional management education based on the latest developments in academic theory and best business practices while preparing graduates for challenging work environments and advanced academic study through quality education and interactive activities.

HNCC BBA Seminar Milestones…

Sr. No.	**Year**	**Contents**
1	2004	Total Quality Management
2	2005	Management in Turbulence Time
3	2006	Special Economic Zone
4	2007	Corporate Social Responsibility
5	2008	Global Warming
6	2009	Opportunities and Challenges in Tourism Industry
7	2010	Enter Entrepreneurship- Exit Unemployment
8	2011	Event Management
9	2012	Effectiveness of Advertising in Brand Communication
10	2013	Retailing: An Escalating Sector
11	2014	Emerging Trends in Marketing
12	2015	Blending Marketing Tools
13	2016	Building Winning Brands
14	2017	Emerging Trends in Banking

Seminar is all about...

B.B.A. Department conducts "Jidnyasaa- An Annual Seminar" every year since its establishment. An attempt is made to make the students aware about various topics based on the current issues in the field of Management.

The Financial sector, of which Banking sector is the largest player, plays a dominant role in building the economy of an individual as well as a nation. Banks have control over a large part of the supply of money in circulation. They are the main stimulus for the economic progress of a country.

Today banking is known as Innovative Banking. Information technology has given rise to new innovations in the product designing and their delivery in the banking and finance industries. Customer services and customer satisfaction are their prime work. One of the most significant areas where IT has had a positive impact is on substitutes for traditional funds movement services. With the advent of electronic banking, electronic funds transfer and other similar products, funds transfer within time frames which would have appeared impossible a few years ago has made it reality. With networking and internet connection new challenges are arising related to security privacy and confidentiality to transactions.

The banking today is re-defined and re-engineered with the use of Information Technology and it is sure that the future of banking will offer more sophisticated services to the customers with the continuous product and process innovations.

Thus, there is a paradigm shift from the seller's market to buyer's market in the industry and finally it affected at the bankers level to change their approach from "Conventional Banking to Convenience Banking" and "Mass Banking to Class Banking". The shift has also increased the degree of accessibility of a common man to bank for his variety of needs and requirements.

The GOI support to banking industry through various initiatives like- Jan Dhan Scheme, Mudra Scheme, Digital Banking, Rural Banking etc. are acting as sunrise potential for Indian Banking System which are about to bring positive trend for industry.

Hence, our BBA section is presenting 14th Annual Seminar on the theme ***"Emerging Trends in Banking"***. The seminar attempts to enlighten our students with following objectives:

Objectives of Seminar:

1) To make students aware about changing Indian banking system.
2) To highlight the role of technology in banking industry.
3) To discuss Challenges & Opportunities of changing trends.

Our Patrons (S. A. P. D. Jain Pathashala) **- :**

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- Bobby Badlani
- Sushil Jain
- Hariom Katwe
- Vaishali Patil
- Nitin Biradar
- Pradeep Murjani

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Student's Presentations

Evolution of Indian Banking

Ms. Krina Shah (BBA- I)

Abstract:

Banking is today an integral part of our everyday life. At home, at school, at office, at business on travel everywhere we counter some aspect of banking. The significance of banking in our day to day life is being felt increasingly. During the starting phase banks faced many problems and people did not easily believe in banks. The existence of saukars was there from very old times and it still continues to be there. Then after independence the nationalization of SBI was done and nationalization of major 14 commercial banks was done in 1969 and 6 more banks in 1980. Liberalization of bank was done by M Narsimham. Nowadays we are enjoying many new services and facilities provided by banks.

Keywords: *coin, money, commercial banking, liberalization, nationalization.*

Introduction:

Banking is today an integral part of our everyday life. At home, at school, at office, at business on travel everywhere we counter some aspect of banking. The significance of banking in our day to day life is being felt increasingly. Money plays a dominant role in today’s life. Forms of money have evolved from coin to paper currency notes to credit cards. Commercial transactions have increased in content and quantity from simpler banker to speculative international trading. Hence the need of third party arose who will assist smooth banding of transactions. He was the “banker”. As the number of such mediators grew there is need to control. Such mediating agencies gave birth to the concept of “banks” and “banking”. The world as we know it wouldn’t run smoothly without credit and banks to issue it. In this article we will explore the birth of this flourishing industry.

The journey of Banking System can be segregated into three distinct phases. They are as mentioned below:

1. Early phase from 1786 to 1969 of Indian banks.
2. Nationalization of Indian Banks and up to 1991 prior to Indian banking sector reforms.
3. New phase of Indian Banking System with the of Indian Financial and Banking Sector Reforms after 1991.

Phase 1:

The General Bank of India was set up in the year 1786. Next came Bank of Hindustan and Bengal Bank. The East India Company established Bank of Bengal(1806), Bank of Bombay(1840), and Bank of Madras(1843) as independents units and called them Presidency Banks. These three banks were amalgamated in 1921 and Imperial Bank of India was established. Many other banks emerged in the period of 1885-1913. Reserve Bank of India came in 1935. During the first phase the growth was very slow and banks also experienced periodic failures between 1913 and 1948. The government of India came up with the Banking Regulation Act,1949. Reserve Bank was vested with extensive power for the supervision of banking in India as the Central Banking Authority. During those days public had lesser confidence in the banks. Saukars also were there to provide credit at higher rate of interest and people also used to take credit from them.

Phase 2:

Government took major steps in the Indian Banking Sector Reform after independence. In 1955, it nationalized Imperial Bank of India with extensive banking facilities on a large scale specially in rural and semi urban areas. In 1969 , major process of nationalization was carried out. It was the effort of the then Prime Minister of India, Mrs. Indira Gandhi 14 major commercial banks in the country was nationalized.

Second phase of nationalization in Indian Banking Sector Reform was carried out in 1980 with six more banks. This step brought up 80% of the banking segment in India under government ownership.

After the nationalization the branches of the public sector banks in India rose to approximately 800% and deposits and advances took a huge jump by 11000%.
Banking in the sunshine of government ownership gave the public implicit faith and immense confidence about the sustainability of these institutions.

Phase 3:

This phase has introduced many more products and facilities in the banking sector in its reforms measure. In 1991, under the chairmanship of M Narasimham, a committee was set up by his name which worked for the liberalization of banking practices.

Nowadays, the country is flooded with foreign banks, ATM Stations. Efforts are being made to give satisfactory services to customers. Phone banking and net banking is introduced. The entire system became more convenient and swift. Time is given more importance than money. Even the saukars still exist in todays time.

Conclusion:

Banks have come a long way from the temples of the ancient world, but their basic business practices have not changed. Although history has altered the fine points of the business model, a banks purpose is to make loans and protect depositor's money. Even if the future takes banks completely off your street corner and onto the internet, or has you shopping for loans across the globe, the banks will still exist to perform this primary function.

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Money Diet:

"Money is a terrible master but an excellent servant.

Jan Dhan Yojana
– A Revolutionary Financial Inclusion Program

Mr. Abhishek Porwal (BBA-II)

Abstract-

Jan Dhan Yojana started by Prime Minister with zero balance. Which have helped the maximum of people to have their own bank account with cheque books. Where it also provides some special benefits and insurance to account holder. ATM cards are also provided but because of lack of facilities in rural India it is one of the problem. This also helps government to move to a capital expenditure from revenue expenditure.

Keywords *- Jan Dhan Yojana, zero balance, bank.*

Introduction:

Pradhan Mantri Jan-Dhan Yojana (PMJDY) is India's National Mission for Financial Inclusion to ensure access to financial services, namely Banking Savings & Deposit Accounts, Remittance, Credit, Insurance, and Pension in an affordable manner. This financial inclusion campaign was launched by the Prime Minister of India Narendra Modi on 28th August 2014. Jan Dhan Yojana means 'people money scheme. The slogan is **"Mera Khata Bhagya Vidhata"** – my bank account, the creator of good fortune.' The PMJDY goal is to remove financial illiteracy and provide banking facility to everyone. The accounts can be opened at zero balance. For ease of providing facility areas are divided into sub areas. The main objective of PMJDY is to provide basic banking facilities to the poor and weaker section of the society.

Under the Jan Dhan Yojana anyone who is Indian citizen above age of 10 years and does not have a bank account, can open the account with zero balance. Account can be opened in any bank branch or Business Correspondent (Bank Mitra) outlet, specially designed for the purpose of opening the accounts under this scheme. PMJDY accounts are being opened with Zero balance. However, if the account-holder wishes to get cheque book, he/she will have to fulfill minimum balance criteria.

Run by Department of Financial Services, Ministry of Finance, on the inauguration day, 1.5 Crore (15 million) bank accounts were opened under this scheme. Guinness World Records recognizes the Achievements made under PMJDY, Guinness World Records Certificate says "The most bank accounts opened in 1 week as a part of financial inclusion campaign is 18,096,130 and was achieved by Banks in India from 23 to 29 August 2014".

Need of PMJDY Scheme:-

The necessity of launching such a mission was felt in view of the fact that less than two-thirds of the households in the country have access to banking facilities even after 69 years of independence. The Mission seeks to provide all households in the country, both rural and urban. Thus, the Mission not only brings the excluded sections into the financial mainstream but makes the transfer of benefits of various subsidy schemes of the government more efficient.

Special Benefits under PMJDY Scheme:-

1. Interest on deposit.
2. Accidental insurance cover of Rs. 1 lakh.
3. No minimum balance required.
4. The scheme provides life cover of Rs. 30,000/- payable on death of the beneficiary, subject to fulfillment of the eligibility condition.
5. Easy Transfer of money across India
6. Beneficiaries of Government Schemes will get Direct Benefit Transfer in these accounts.
7. After satisfactory operation of the account for 6 months, an overdraft facility will be permitted
8. Access to Pension, insurance products.
9. Overdraft facility up to Rs.5000/- is available in only one account per household, preferably lady of the household.

Statistics:-

From the day scheme was announced up to now 26.51Cr accounts have been opened out of which 24.61% of accounts have Zero balance and more than Rs. 70,000 Cr have been deposited in these accounts. In Maharashtra more than 1.60Cr peoples have opened Jan Dhan account out of which 50 lakhs accounts have zero balance and more than Rs. 4,000Cr have been deposited in these accounts.

Advantages:-

- Successful in achieving a bank account for majority of families.
- Provides the insurance cover and gives a sense of security to millions of households across our country.
- By inculcating the habit of formal banking to the left out population, savings can boost up.
- Reduce inefficiency in PDS (Public Distribution Systems) and other subsidy transfers.
- Improve formal banking and penetration to all parts of the country.
- Helps the government to move to a capital expenditure from revenue expenditure.

Disadvantages:-

- The overdraft facility might not go well with our masses.
- The scheme doesn't promote frequent use of bank accounts. Many of the accounts have zero balance.
- Majority of unbanked people belong to lower sections of the society and the Jan Dhan has no exclusive incentives for them which will enable them to avoid local moneylenders.
- Many cases have been detected that, where an individual has opened more than one account in various banks.
- In many rural areas ATMs are not available and because of this RuPay debit cards may not work.

Conclusion:-

After demonetization many people have deposited their black money into other people's Jan Dhan accounts. So, in my opinion, the new government which is not new anymore has made efforts to curb corruption and money leakages and put it directly into the funds for the welfare of the people.

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Money Diet:
Personal finances are like people's personal health, crucial and tragic to the sufferer but tedious to the listener.

Technology: Reinforcing Banking Operations

Ms. Radhika Bihani (BBA- III)

Abstract:

This article deals this the technological up gradations in banking sector. It deals with the technologies that reinforce the banking operations. Various technologies have eased human work is described below. Article focuses on though implementing technology is costly but reaps greater benefits than its paid costs.

Keywords *Reinforce, Technological, Banking.*

Introduction:

The banking sector has embraced the use of technology to serve its client's faster and also to do more with less. Emerging technologies have changed the banking industry from paper and branch based banks to "*digitized and networked banking services*".

Unlike before, broadband internet is cheap and it makes the transfer of data easy and first. Technology has changed the accounting and management system of all banks &it is now changing the way how banks are delivering services to their customers. However technology comes at a cost, implementing all, it achieves.

1) Electronic Payment Services – E Cheques

Now-a-days we are hearing about e-governance, e-mail, e-commerce, e-tail etc. In the same manner, a new technology is being developed in US for introduction of e-cheque, which will eventually replace the conventional paper cheque. An electronic cheque is an ***electronic copy*** (scanned image) of a real cheque, which is then transferred by email. In addition to the cheque's 'real' signature, the transfer must be digitally signed using the sender's private key to authenticate the transfer.

2) Real Time Gross Settlement (RTGS)

Real Time Gross Settlement system, introduced in India since March 2004, is a system through which electronics instructions can be given by banks to transfer funds from their account to the account of another bank. The RTGS system is maintained and operated by the **RBI** and provides a means of efficient and faster funds transfer among banks facilitating their financial operations. As the name suggests, funds transfer between banks takes place on a '**Real Time'** basis. Therefore, money can reach the beneficiary instantaneously and the beneficiary's bank has the responsibility to credit the beneficiary's account within two hours.

3) National Electronic Funds Transfer

(NEFT) is one of the most prominent electronic funds transfer system of India. Started in November 2005.NEFT is a facility provided to bank customers to enable them to *transfer funds easily and securely* on a **one-to-one basis**. It is done via electronic messages. This is not on real-time basis like RTGS (Real Time Gross Settlement). This is a "net" transfer facility which is executed in hourly batches resulting in a time lag. NEFT facilities are available in 30,000 bank branches all over the country and work on a batch mode.

4) Electronic Clearing Service (ECS)

Electronic Clearing Service is a retail payment system that can be used to make bulk payments/receipts of a similar nature especially where each individual payment is of a repetitive nature and of relatively smaller amount. This facility is meant for **companies** and **government departments** to make/receive *large volumes* of payments rather than for funds transfers by individuals.

5) Automatic Teller Machine (ATM)

Automatic Teller Machine is the most popular devise in India, which enables the customers to withdraw their money 24 hours a day 7 days a week. It is advice that allows customer who has an ATM card to perform routine banking *transactions without interacting with a human teller*. In addition to cash withdrawal, ATMs can be used for payment of utility bills, funds transfer between accounts, deposit of cheques and cash into accounts, balance enquiry etc.

6) Point of Sale Terminal

Point of Sale Terminal is a *computer terminal* that is linked online to the computerized customer information files in a bank and magnetically encoded plastic transaction card that identifies the customer to the computer. During a transaction, the **customer's account is debited and the retailer's account is credited** by the computer for the amount of purchase.

7) Tele Banking

Tele Banking facilitates the customer to do entire *non-cash related banking on telephone*. Under this devise *Automatic Voice Recorder* is used for simpler queries and transactions. For complicated queries and transactions, manned phone terminals are used.

8) Electronic Data Interchange (EDI)

Electronic Data Interchange is the *electronic exchange of business documents* like purchase order, invoices, shipping notices, receiving advices etc. in a standard, computer processed, universally accepted format between trading partners. EDI can also be used to transmit financial information and payments in electronic form.

9) BHIM

BHIM (Bharat Interface for Money) is a Mobile App developed by National Payments Corporation of India (NPCI), based on the Unified Payment Interface (UPI). It was launched by Narendra Modi, the Prime Minister of India, at a Digi Dhan programme in New Delhi on 30 December 2016. It has been named after Bhim Rao Ambedkar and is intended to facilitate e-payments directly through banks and as part of the *2016 Indian banknote demonetization* and drive towards **cashless transactions**.

10) UPI

Unified Payments Interface (**UPI**) is a system that powers multiple bank accounts (of participating banks), several banking services features like fund transfer (P2P), and merchant payments in a single mobile application.UPI was launched by National Payments Corporation of India with Reserve Bank of India's (RBI) vision of migrating towards a 'less-cash' and *more digital society*. UPI has built on the Immediate Payment Service (IMPS) platform. UPI can be used for multiple common banking tasks.

11) **Signature Retrieval Facility**

Technology has played a big role in reducing fraud in banks which protects its clients. For example, banks use a technology which *verifies signatures* before a customer's withdraws large sums of money on a specific account and this reduces on the errors or risks which might arise due to forgery.

12) **Plastic money**

Credit cards or smart cards like ''**VISA ELECTRON''** have made the banking industry more flexible than before. With a credit card, a customer can borrow a specific amount of money from the bank to purchase any thing and the bank bills them later. In this case, they don't have to go through the hassle of borrowing small money. Then with **"***Smartcards* "like visa electron, a customer can pay for anything using that card and that money is deducted from their bank accounts automatically, they can also use the same card to deposit or withdraw money from their accounts using an ATM machine.

Conclusion:

The importance of technology in banking sector is undeniable. This is due to the fact that in today's dynamic world, life without technology is meaningless. Banking Technology reinforces to bring together tools that ease creation, use and exchange of information.

Technology in banking operation has a major goal of making tasks easier to execute as well as solving many mankind's problems. As banking technology continues to advance and create more ease in our lives, hence I have choose this topic to stress how advantageous technology in banking operations is. !!

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Money Diet:

Banking Technology has made it simple and efficient to invest in good causes.

Gold Monetisation Scheme

"Jab Ghar Mein Pada Ho Sona, Phir Kahe Ko Rona"

Mr. Dipesh Gyamlani (BBA- I)

Abstract: -

While announcing several steps for monetising gold in his Budget 2015-16, Union Finance Minister Arun Jaitley stated that stocks of gold in India were estimated to be over 20,000 tonnes but mostly this gold was neither traded, nor monetised. Mr. Jaitley proposed a Gold Monetisation Scheme, which would replace both the present Gold Deposit and Gold Metal Loan Schemes. He said the new scheme would allow the depositors of gold to earn interest in their metal accounts and the jewellers to obtain loans in their metal account. Banks/ other dealers would also be able to monetise this gold. The Finance Minister also announced the development of an alternate financial asset, a Sovereign Gold Bond, as an alternative to purchasing metal gold. The bonds would carry a fixed rate of interest, and also be redeemable in terms of the face value of the gold, at the time of redemption by the holder of the bond. Mr. Jaitley also announced that the Government shall commence work on developing an Indian Gold Coin, which will carry the Ashok Chakra on its face. Such an Indian Gold Coin would help reduce the demand for coins minted outside Indian, and also help to recycle the gold available in the country.

Keywords: - *Gold Monetisation Scheme, Short Term Bank Deposits (SRBD), Medium and Long Term Government Deposit (MLTGD), Jeweler, Sovereign Gold Bond, Gold Metal Loan Schemes, Metals and Minerals Trading Corporation of India(MMTC)*

Introduction:

The Gold Monetization Scheme was launched on 5th November by the Prime Minister Narenda Modi. The scheme is designed to help you earn interest on your unused gold lying idle in bank lockers. The Gold Monetization Scheme is basically a new deposit tool to ensure mobilization of gold possessed by various families and institutions in India. It is expected that the scheme would turn gold into a productive asset in India.

Deposit allowed under Gold Monetization Scheme 2015

An investor can deposit gold for short, medium and long terms under the Gold Monetization Scheme. The scheme would allow an investor to deposit gold in Short Term Bank Deposits (SRBD) and Medium and Long Term Government

Deposit (MLTGD). The tenure of a Short Term Bank Deposit is 1-3 years. The Medium and Long Term Government Deposits can be opened for 5 -7 years and 12-15 years respectively. The Short Term Bank Deposit would be accepted by individual banks on their own account. But the Medium and Long Term Government Deposits would be accepted by banks on behalf of the Government of India based upon notification issued by the Reserve Bank of India.

Why is there a Gold Monetisation Scheme :-

Gold lying in the locker appreciates in value if gold price goes up but it doesn't pay you a regular interest or dividend. On the contrary, you incur carrying costs on it (bank locker charges). The monetisation scheme will allow you to earn some regular interest on your gold and save you carrying costs as well. It is a gold savings account which will earn interest for the gold that you deposit in it. Your gold can be deposited in any physical form – jeweler, coins or bars. This gold will then earn interest based on gold weight and also the appreciation of the metal value. You get back your gold in the equivalent of 995 fineness gold or Indian rupees as you desire (the option to be exercised at the time of deposit).

Term involved

The designated banks will accept gold deposits under the Short Term (1-3 years) Bank Deposit as well as Medium (5-7 years) and Long (12-15 years) Term Government Deposit Schemes.

Verify the purity of gold

It is important to check your gold's purity and thankfully that can now be done through Collection and Purity Testing Centres. You can take your gold in any form to these centres and they will assess the gold in front of you and provide you with a certificate on purity and gold content, once you decide to deposit the gold in one of the deposit schemes.

Eligibility for the depositor

Resident Indians (Individuals, HUF, Trusts including Mutual Funds/Exchange Traded Funds registered under SEBI (Mutual Fund) Regulations and Companies) can make deposits under the scheme. The opening of gold deposit accounts will be subject to the same rules with regard to customer identification as are applicable to any other deposit account.

What will the banks do with the gold

The designated banks may sell or lend the gold accepted under the short-term bank deposit to MMTC for minting India Gold Coins and to jewellers, or sell it to other designated banks participating in the scheme.

Structure of Gold Monetization Scheme

The Gold Monetization Scheme has three types of deposits on the basis of tenure. The treatment of each type of Gold Monetization Scheme is different.

Short term Gold Monetization Scheme

In the short term Gold Monetization Scheme, you deposit the gold for 1-3 years. The interest rate of this type of scheme is decided by the bank. You can get back the deposit in the form of gold or rupee. The deposit period can be extended multiple times in the blocks of one year.

Medium Term Gold Monetization Scheme

Medium term Gold Monetization Scheme is for the deposit of 5-7 years. The interest rate of such deposit is fixed by the government in consultation with the Reserve Bank of India. The redemption can be in cash or gold. If you redeem the gold in the form of gold, you have to pay 0.2 administrative charge in cash. Also, the interest would be given in the cash.

Long Term Gold Monetization Scheme

This scheme is for the deposit of 12-15 years. The interest rate is fixed by the government in consultation with the Reserve Bank of India. The redemption can be in cash or gold. If you redeem the gold in the form of gold, you have to pay 0.2 administrative charge in cash. Also, the interest would be given in the cash.

Benefits of Gold Monetization Scheme

Benefit to Customers

1. The gold grows itself in this scheme. The weight of gold remain same forever if you keep is in the house. But the GMS increases the weight of the gold according to the given interest rate.
2. You need not to worry about the security of the gold. It can't be stolen.
3. You can save the expense of locker. Lockers are not cheap.

4. You will get the true value of your gold.
5. Getting cash in place of gold is very easy.

Tax Benefit

There is no tax at all. The investment, interest and maturity is tax-free. There is **no capital gains tax on the gold interest**. There is wealth tax as well.

Benefit to Government

- It will reduce the country's reliance on the import of gold to meet domestic demand.
- Gold Monetization Scheme would benefit the Indian gems and jewelry sector which is a major contributor to India's exports.
- The mobilized gold will also supplement RBI's gold reserves and will help in reducing the government's borrowing cost.

Disadvantages of Gold Monetization Scheme

The GMS has some disadvantages.

1. You have to part the gold for some years. You can't see it physically till the maturity.
2. The gold jewelry will lose its form. The gold is melted in the Gold Monetization Scheme.
3. The impurities can reduce the weight of your gold.
4. You have to go through the tedious process of Gold Monetization Scheme.

Conclusion:-

There is a higher probability of GMS to be successful. Unlike SBI gold deposit scheme, the GMS has reduced the minimum weight requirement. The scheme is more transparent and involves the 331 hallmarking centers. The interest rate should be also higher of this scheme. There is a flexibility of rollover and premature withdrawal as well. This makes the Gold Monetization Scheme more lucrative.

However, you can expect Gold Monetization Scheme a big hit. Indians don't easily part with their gold. The interest rate of 2-3% is not big a draw for the gold lovers. It requires pragmatism to put the gold in Gold Monetization Scheme.

In my opinion, the Gold Monetization Scheme will take the time to be moderately successful.

E-Wallets: Money on the Move

Ms. Rakhee Chanchalani (BBA- III)

"We will see a huge change over the next few years in the way we shop and pay for things". You'll be able to leave your wallet at home and use your mobile as the 21st Century Digital Wallet.

Abstract: -

People have understood that in current scenario, downloading an e-wallet app to pay bills is very convenient, hence the marketing spends have increased for a lot of these companies. E-wallet companies have increased their marketing spends both online and offline as cashless transactions is the best choice till the new currency circulates in adequate numbers. The primary objective of the advertising campaigns by e-wallet brands post-demonetization has been to get on top of the mind of their consumers with easy money transfer solutions and transaction facilities. E-wallet companies are not just using print as a medium but also have used email, sms and push notifications as channels extensively for installation of their apps for small payments. The future seems to be extremely strong. Smaller restaurants, vegetable venders are now open to accepting e-wallet payment, some merchants do not accept credit/debit cards but are now accepting e-wallet transactions.

Key Words: - *E-wallet, Smart Phones, Demonetization, Bill Payments, M-Pesa, Pockets, Money*

Introduction:

"*Before Demonetization, wallets were an option. Now they are a need*". The Central Government's decision to demonetize Rs 500 and Rs 1000 notes has given a major push to e-wallets and recently launched Unified Payment Interface(UPI),an interoperable system launched by RBI and NPCI, which will allow peer-to-peer and peer-to-entity payments. E-wallets like PayTm, Freecharge have been quick to capitalize on this and have been aggressively advertising to promote the usage of digital wallets as a way of moving towards a cashless economy.

Taglines like "*Ab ATM nahi, PayTm Karo*" and "*Cash is so yesterday*" are doing the rounds. OLA sent out notifications to its passengers saying-'Recharge Ola Money now and you don't have to worry about carrying notes, whether Rs500 or Rs1000, *RIDE CASHLESS*'. Mobikwik also is providing cash pick up facility to its customers for some days. A person can click on 'cash pick up' on the Mobikwik App, a representative of the wallet will come to them to exchange Rs500 and

Rs1000 notes and will directly load it in their e-wallet. "Now both high and small valued transactions will become equally important in the digital space".

This is master stroke by PM which on one hand takes care of fake notes for funding terrorist financing and black money stashed in cash and the same time is encouraging transactions using cheque and electronic transactions through wallets/cards.

"*Time is Money*", and these are exactly the two quantities which the mobile wallet seeks to bring together, i.e. Save time while spending and managing money. A mobile wallet in simple terms is a system of making payments. The difference between online payment services and mobile wallet is that you can use this wallet to make payments in a physical store too!

- It's like a one click pay with no need to fill in card numbers and passwords every time. One can link their credit cards, debit cards and bank accounts and pay immediately with no hassle to enter the details each time.
- It will be possible to make instant payments. Just like we can exchange cash at any moment, we can exchange and transfer money anytime.
- There would be synchronization of data from multiple platforms. Bank accounts, credit and debit cards, mobile accounts and bills, all will be interconnected and help in better management. It's like everything is under one roof.
- It is extremely useful for unorganized sector where cash is considered as the most suitable medium. Exchange of money through mobile wallet at chaat stalls, street vendors, small shop, etc. would remove the need to carry cash/cards at such places.

"*People don't care about the systems*". For your customers to care, it has to solve two problems, "It's got to work and be really convenient". So, in the digital age, competition in banking is not only about better rates or branding anymore. Competition is now about bringing customer's new value and frictionless experience.

Have you wondered why these wallets exist and what problem they solve?

- **Bill Payments**-Pick any e-wallet and one feature that each one of them will have is bill payment and recharge for mobile phones and DTH television services. e.g, Free Charge- Ab India Krega Bijli ke Bills par Bachat.

- **Shopping**-Now e-wallets providers have started offering e-commerce platforms in their app itself. One of the example of this is Axis Bank Lime Digital wallet app, where you can visit multiple e-commerce websites such as Flipkart and Amazon. PayTm allows you to shop from its wallet app. PayTm has its own e-commerce market place where you can shop.
- **Loyalty Programs**-In order to encourage usage of e-wallets, many companies offer coupons, cashbacks and gift cards. When you make a transaction, the cash back comes to you in the e-wallet, which you can then use for your next transaction. Say you earn points on a particular bank's card, you will be able to redeem those in the e- wallet and use those points for next transaction. e.g. Companies such as PayTm gives offers such as Rs 50 cash back on transactions to consumers.
- **Grocery and Food**-Most wallet providers are now creating a network for offline transactions as well. "Increasingly, e-wallet companies are looking to add mom-and-pop stores to increase acceptance of e-wallet payment. Though the scale is small, there are offline stores where e-wallets can be used e.g. Big Bazaar accepts payments through e-wallet. Mobikwik Hai Na to help you pay at near grocery store, milkman, maid or any shopkeeper. "Just Mobile Number Lo, Paise Do".
- **Seeking Revenue**-For every transaction, you do in your e-wallet, the company gets a commission. for e.g. every time you use recharge service, the e-wallet providers earns 1.5 to 2% of the transaction amount as commission .Similarly, every time you make a bill payment, the wallet provider earns a flat fee of Rs 10.Apart from all this, e-wallet companies are able to earn interest of 5.5 to6% depending on the agreement with the bank, on the money that you leave in the e-wallet. Interest may be earned, but that stays with service providers and banks. e.g. Kotak Mahindra Bank will pick up a 20% stake in Airtel Money Digital Wallet ,subject to the latter getting the payment bank license from RBI.

Other examples of e-wallets are described below-

- Acquired by Snapdeal in April 2015, Freecharge launched its own digital wallet for transaction across Freecharge and Snapdeal platforms. Snapdeal owned ‘Freecharge” and launched a feature on its wallet called “Wallet on Delivery” which allow the users to pay for their purchases on Snapdeal, when they are delivered, using their “Freecharge Wallet” on contrary.

- **Mobikwik** has tied up with 50,000 business across e-commerce, cab services and food chains to offer digital wallets and enable customers to pay directly while shopping online. It has also tied up with Big Bazaar and Café Coffee Day to enable customers to pay for their purchases offline as well. Also accepted across Merchants such as 'Book My Show', 'Make My Trip', 'Domino's Pizza' and Ebay.
- **PayTm** is the only wallet that supports bookings on IRCTC and has a license from RBI to setup a payment bank, issuing debit cards and offering Internet Banking Services.
- **Vodafone M-Pesa** claims to be India's largest cash out network, with over 85,000 M-Pesa agents spread across the world .Money can be transferred to bank via its inbuilt IMPS service, or to a mobile no., but charges apply in slabs. For e.g, sending Rs 2000 to a bank account, cost for Rs 38 and Prepaid recharge can be done through M-Pesa for free. M-Pesa by Vodafone in partnership with ICICI Bank is an example of open wallet.
- **Chillr- HDFC Bank launches Chillr Money Transfer App**. Only HDFC Bank and Bank of Baroda customers can use this service to send money, while other bank customers can receive money using the app. If you are an HDFC or Bank of Baroda customer, the app is ideal for splitting bills with friends and paying utilities like mobile, DTH and data card recharge, as it makes transactions directly from your bank account, without having to work with another third-party wallet.
- **Go cash free with 'Touch and Pay' on Pockets**-The most comprehensive mobile wallet 'Pockets' has been launched by ICICI Bank recently. Pockets app allows you to make payment at stores through ICICI Bank debit and credit cards using your smart phones. What's more? Pockets is not just for ICICI Bank customers, even customers of any bank can download and use it instantly. So what are you waiting for? Download the app, link your credit or debit card and 'touch and pay' for quick payments.

Conclusion:

There is going to be a change and we must adapt to it and accept it. *"The world as we have created, it is a process of our thinking. It cannot be changed without changing our thinking."* Since mobile wallets are going to be the next thing just like the plastic money were a decade back, it's important that we allay our fears, change our mindsets and start adapting to such technological innovations. Because," *Balancing your money is the key to having enough".*

At last I would conclude by adding that-

"Right now, everybody's looking at technology and not what it is doing to make my life better. It should be about technology to make the consumers life easier."

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Money Diet:
Save money and money will save you.

Online Banking

Mr. Prasannakumar Madgundi (BBA-II)

Abstract:

This topic summarizes about the method of banking in which transactions are conducted electronically over the internet. It explains various facilities and features in common through which online banking is carried out, where bank customers can transact banking tasks through online banking.

Key Words: *Online, E-banking.*

Introduction:

The World Wide Web has permeated virtually every aspect of modern life. If you have access to a computer with an Internet connection, an almost limitless amount of goods, services and entertainment choices are at your fingertips. Electronic banking, also known as electronic funds transfer (EFT), is simply the use of electronic means to transfer funds directly from one account to another, rather than by cheque or cash.

E-Banking Global Perspective:

The advent of Internet has initiated an electronic revolution in the global banking sector. The dynamic and flexible nature of this communication channel as well as its ubiquitous reach has helped in leveraging a variety of banking activities. New banking intermediaries offering entirely new types of banking services have emerged as a result of innovative e-business models. The Internet has emerged as one of the major distribution channels of banking products and services.

The trend towards electronic delivery of banking products and services is occurring partly as a result of consumer demand and partly because of the increasing competitive environment in the global banking industry.

The Internet has changed the customers' behaviors who are demanding more customized products/services at a lower price. Moreover, new competition from pure online banks has put the profitability of even established brick and mortar banks under pressure. However, very few banks have been successful in developing effective strategies for fully exploiting the opportunities offered by the Internet. Banking transactions had already started taking place through the Internet way back in 1995. The Internet promised an ideal platform for commercial exchange, helping banks to achieve new levels of efficiency in financial transactions by strengthening customer relationship, promoting price discovery and spend aggregation and increasing the reach.

Global E-banking industry is covered by the following four sections:

- **E-banking Scenario:** It discusses the actual state, prospects, and issues related to E-banking in Asia with a focus on India, US and Europe. It also deals with the impact of E-Banking on the banking industry structure.
- **E-banking Strategies:** It reveals the key strategies that banks must implement to derive maximum value through the online channel. It also brings guidance for those banks, which are planning to build online businesses.
- **E-banking Transactions:** It discusses how Internet has radically transformed banking transactions. The section focuses on cross border transactions, B2B transactions, electronic bill payment and presentment and mobile payments. In spite of all the hype, E-banking has been a non-starter in several countries.
- **E-banking Trends:** It discuses the innovation of new technologies in banks.

Features of Online banking are:-

A bank customer can perform non-transactional tasks through online banking, including –

- Viewing account balances
- Viewing recent transactions
- Downloading bank statements, for example in pdf format
- Viewing images of paid cheques
- Ordering cheque books
- Download periodic account statements
- Downloading applications for m-banking, e-banking etc.

Advantages of Online banking-

- Many banks allow for file transfer between their program and popular accounting software packages, making record-keeping a breeze.
- It's very easy to set up an account. With most plans, you can do this totally online, avoiding all paperwork.
- We can access our account information anytime, day or night, and we can do it from anywhere. A few online banks update information in real-time, while others do it daily.

Issues of Online banking:

- Customer service can be below the quality that you're used to. Some people simply take comfort in being able to talk to another human being face-to-face if they experience a problem. Although most major banks employ a dedicated customer service department specifically for online users, going through the dreaded telephone menu can still be quite irritating to many. Again, some are considerably better (or worse) than others.
- Not all online transactions are immediate. Online banking is subject to the same business-day parameters as traditional banking. Therefore, printing out and keeping receipts is still very important, even when banking online.

Concerns with e-banking:

As with any new technology new problems are faced.

- **Customer support** - banks will have to create a whole new customer relations department to help customers. Banks have to make sure that the customers receive assistance quickly if they need help. Any major problems or disastrous can destroy the banks reputation quickly an easily. By showing the customer that the Internet is reliable you are able to get the customer to trust online banking more and more.
- **Laws** - While Internet banking does not have national or state boundaries, the law does. Companies will have to make sure that they have software in place software market, creating a monopoly.
- **Security**: customer always worries about their protection and security or accuracy. There is always question whether or not something took place.
- **Other challenges**: lack of knowledge from customers end, sit changes by the banks, etc

The Indian Experience:

- **Internet Banking in India**

The financial products and services have become available over the Internet, which has thus become an important distribution channel for a number of banks. Banks boost technology investment spending strongly to address revenue, cost and competitiveness concerns. The purpose of present study is to analyze such effects of IB in India, where no rigorous attempts have been undertaken to understand this aspect of the banking business. A study on the Internet users, conducted by Internet and Mobile Association of India (IAMAI), found that about 23% of the online users prefer IB as the banking channel in India, second to ATM which is preferred by 53%. Out of the 6,365 Internet users sampled, 35% use online banking channels in India.

- **Case Study – ICICI :**

ICICI is one of the leading private sector banks in India ICICI bank has been quick to realize that E- banking has changed from a somewhat experimental delivery vehicle into an increasingly mainstream one for delivery of broad spectrum of banking products and services. The Bank has been offering phone banking free of charge and was first to launch an Internet Banking service in the country named Infinity. Infinity now provides a host of online banking solutions to retail as well as corporate customers.

New Challenges For Regulators :

Electronic banking is the wave of the future. It provides enormous benefits to consumers in terms of the ease and cost of transactions. But it also poses new challenges for country authorities in regulating and supervising the financial system and in designing and implementing macroeconomic policy.

Looking Forward :

An old Chinese saying goes: ***If you don't know where you are going - you will never get there.*** Globally, the financial sector is metamorphosing under the impact of competitive, regulatory and technological forces.

The banking sector is currently in a transition phase with re-alignment, mergers and entry of new players from different industry is becoming common.

Many countries including India are de-regulating their banking sector and government policies no longer form an entry barrier to banks competitors. ICICI Bank, IDBI Bank, HDFC Bank and recently Kotak Mahindra Bank are prime examples of these.

Conclusion:

E-banking has become a necessary survival weapon and is fundamentally. changing the banking industry worldwide. Today, the click of the mouse offers customers banking services at a much lower cost and also empowers them with unprecedented freedom in choosing vendors for their financial service needs. With rapid advances in telecommunication systems and digital technology, E-banking has become a strategic weapon for banks to remain profitable. It has been transformed beyond what anyone could have foreseen 25 years ago. Two years ago, E-banking was a strategic advantage, nowadays; it is a business reality, if not a necessity.

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Money Diet:
Make money work for you, It does not sleep, get tired, or go on vacation.

Omni Channel: A New Face of Banking

Ms. Bobby Badlani (BBA- III)

Abstract:

The most effective way from traditional banking to digital banking is omni channel approach. It focuses on specific needs of customer and provides each customer unique experience. It is a customised and reliable process. It supports customer at right time, right place, and right way. It reduces the human efforts, time and also money by its digital working style. The current system drawbacks are being discussed with new improved processes and its benefits. What is need for omni channel is explained with proper examples.

Key words : *Customised services, customer based, channels, branch, mobile,*

Introduction:

Digital consumers seek address to banking services anytime and anywhere. Omni Channel banking offers opportunities to engage deeply with customers, offer customized products, and deliver personalised service. Banks that realise the potential of omni channel banking attract and retain digital consumers, while achieving long term profitability.

Current drawbacks:

- Individual portal for one bank
- Borrowings and investment options as per assets and liabilities only
- Manual user credentials
- Personal interaction with client for investing and borrowing

How Omni channel helps to overcome these drawbacks

The customer logs into his personal portal which keeps him in the centre and shows all the connected links as finance, history etc. finger print or retina helps easy login and enhances the security of the data. After selecting finance option the user sees his total assets and total liabilities-n-which is further broken into various instruments with various institutions. Based on the user behaviour on social sites, various searches, likes and dislikes, the system shows the borrowing and investment options. The system also shows the current market situation and how the changes in the market are affecting the financial strength of the user. It also shows how the changes in the market will impact users financials and what can be proactive measures which can be taken. Syatem shows the risks and threats attached with the various options. Once the user want to go ahead with any of the borrowing or investment option suggested, he looks into the product or service brochures and takes a quick decision. One touch on buying option helps to go ahead.

This process works same as on tablets, smart phones, and surfaces too. Even if the user starts the process in any of the channel, he or she will be able to continue the same on the another channel without repeating previous steps except the logging into the system.

Benefits of new process:

1. Single portal for one client
2. Borrowings and investment options as per choice, likes, needs, behaviour, market conditions
3. Finger print or retina scan login
4. One touch processing for borrowing or investing.

Need for Omni channel:

This approach is based on a single brand name, providing customer centric experience to each and every customer as per their preference and behaviour just like an individual bank for every customer and so smoothly transacted that it becomes a habit in customers lifestyle to work on it.

Various channels which are a part of Omni channel are

Branch digitization – upto 65% of customers prefer branch for rich advice and personalised attention.

Mobile – upto 32% of customers want their transactions and other banking services to be completed by their smart phones.

Video – upto 28% of customers value video access to remote experts.

Social media – there is emerging interest in tapping the power of social media like Facebook and twitter to deliver financial services like making deposits.

DISNEY:

Disney gets omni channel right, down to the smallest details. It starts with your initial experience on the entertainment giant's beautiful, mobile-responsive website. Once you've booked a trip, you can use the My Disney Experience tool to plan your entire trip, from where you'll dine to securing your Fast Pass. In the park, you can use your mobile app to locate the attractions you want to see, as well as view the estimated wait time for each of them.

The imaginative company takes it one step further, though, with the release of its Magic Band program. This tool acts as a hotel room key, photo storage device for any pictures taken of you with Disney characters, and a food ordering tool. Plus, it even has Fast Pass integration to keep your vacation moving.

BANK OF AMERICA

Bank of America is a great example of the omni channel experience in the financial services industry. As one of the biggest brands in the industry, they're setting the standard for a dynamic experience, which as of today, allows for everything from check depositing to appointment scheduling to be handled by the company's mobile and desktop apps.

Bank of America also allows the ability to interact with their personal banker via video. The app allows for video conferencing, document sharing and contact center integration. There is also real-time expense tracking, mobile payments, and location-based commerce involved.

Challenges to be addressed

- Lack of agility and flexibility
- Lack of IT applications and systems
- Lack of 360 degree customer view across channels to promote targeted offerings for revenue growth and customer loyalty
- Lack of consistent user experience across channels due to acquisition of new customers.

Conclusion:

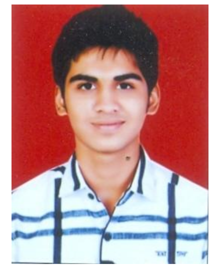
Omni channel banking is an imperative for banks because it offers compelling business benefits. It delivers tangible bottom line and topline benefits. Investment in omni channel banking is an opportunity cost in the short term, but generates significant revenue in long run.

Unmasking India's NPA Issues - Can the Banking Sector Overcome This Phase?

Mr. Sushil Jain (BBA-III)

Abstract:

The banking business has boomed since Independence, particularly after the LPG reforms. The sector is currently valued at Rs 115 lakh crore and expected to more than double at Rs 288 lakh crore by 2020. Out of this 70 per cent of business is being done by PSU banks. An interesting fact is that SBI's market share out of total banking business is 22 per cent! Looking at the enormous size of the banking industry, the NPAs are a big cause of concern.As of June 2016, the total amount of Gross Non-Performing Assets (NPAs) for public and private sector banks is around Rs. 6 lakh crore. The NPA figures along with total debt for each of the 49 public and private sector banks were shared by the ministry of finance. The advances given by banks are called assets, which generate income via interests and installments. If the installment is not paid until the due date, it is called a bad loan. If it extends beyond 90 days, it is termed NPA. The ratio of NPAs to total advances given by a bank is a commonly used indicator reflecting the health of the banking system. This NPA are a big matter of concern for Indian economy thus, studying NPA is a point of consideration for the current government.



Keywords: -*NPA (Non-Performing Assets), Bad Loans, GNAP's (Gross Non-Performing Assets), Core Banking Solutions (CBS), Public Sector Units (PSU), LPG (Liberalisation, Privatisation, Globalisation)*

Introduction: -

NPA is any asset of a bank which is not producing any income. In other words, a loan or lease that is not meeting its stated principal and interest payments.

On a bank's balance sheet, loans made to customers are listed as assets. The biggest risk to a bank is when customers who take out loans stop making their payments, causing the value of the loan assets to decline.

The banking and financial services sector has weathered many storms since the global slowdown. Business sentiments turned cautiously optimistic as the economy slowly steered toward the road to recovery. But recent news around the rising "Non-Performing Assets" (NPA) and instances of bribery and corruption has brought to the fore the risks faced by the sector in India.

The writing was on the wall; just that no one wanted to acknowledge it. The bad loan crisis that has gripped India's Rs 95 trillion banking sector didn't happen overnight.

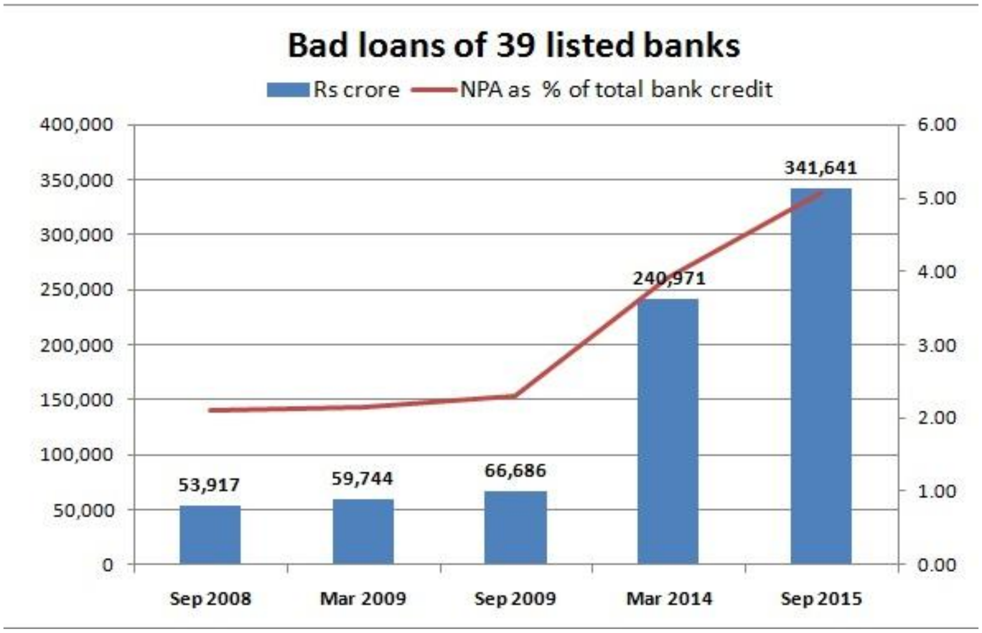
For years, Indian lenders, especially state-run banks, were engaged in volume game to balloon their balance sheets and appease their promoter (the government). That has been so ever since nationalization of these banks happened in two stages (beginning 1969). Governments often treated these banks as their extended arms and used them for populist measures.

There used to be competition among sarkari banks to flag their total business number on front-pages of national newspapers but very little attention was paid to the quality of assets. Every outgoing chairman passed the buck to his successor.

"That was a time (2011-2013) when everyone rushed to give money to corporations, no matter what the credit perception was. Everyone expected a miraculous pick-up in the economy," recalled a former banker with a nationalized bank who now works as a consultant.

Whilst the Reserve Bank of India (RBI) has taken steps to initiate recoveries of these loans by introducing regulation which avoids postponing the problem, increasing the credibility of sales to asset reconstruction companies and early resolution of potential NPAs, the issues around fraudulent promoters require a higher degree of attention.

A look at how the NPA picture of India's government-owned banks has evolved so far:



From Rs 53,917 crore, Indian banks gross non-performing assets (GNPAs) in September 2008;the bad loans have now grown to Rs 3, 41,641 crore in September 2015. In other words, the total GNPAs of banks, as a percentage of the total loans, has grown from 2.11 per cent to 5.08 percent.

Loans don't go bad right away. Most loans allow customers a certain grace period. Then they are marked overdue. After a certain number of days, the loan is classified as a nonperforming loan. Banks usually classify as nonperforming assets any commercial loans which are more than 90 days overdue and any consumer loans which are more than 180 days overdue.

For agricultural loans, if the interest and/or the instalment or principal remains overdue for two harvest seasons; it is declared as NPAs. But, this period should not exceed two years. After two years, any unpaid loan/instalment will be classified as NPA.

Why It Matters?

The higher is the amount of non-performing assets (NPAs), the weaker will be the bank's revenue stream.

In the short-term, many banks have the ability to handle an increase in nonperforming assets - they might have strong reserves or other capital that can be used to offset the losses. But after a while, if that capital is used up, nonperforming loans will imperil a bank's health. Think of nonperforming assets as dead weight on the balance sheet. Here is the impact of the NPAs: -

1. As the NPA of the banks will rise, it will bring a scarcity of funds in the Indian security markets. Few banks will be willing to lend if they are not sure of the recovery of their money.
2. The shareholders of the banks will lose a lot of money as banks themselves will find it tough to survive in the market.
3. This will lead to a crisis of confidence in the market. The price of loans, i.e. the interest rates will shoot up badly. Shooting of interest rates will directly impact the investors who wish to take loans for setting up infrastructural, industrial projects etc.
4. It will also impact the retail consumers like us, who will have to shell out a higher interest rate for a loan.
5. All of this will lead to a situation of low off take of funds from the security market. This will hurt the overall demand in the Indian economy. And, finally it

will lead to lower growth rates and of course higher inflation because of the higher cost of capital.

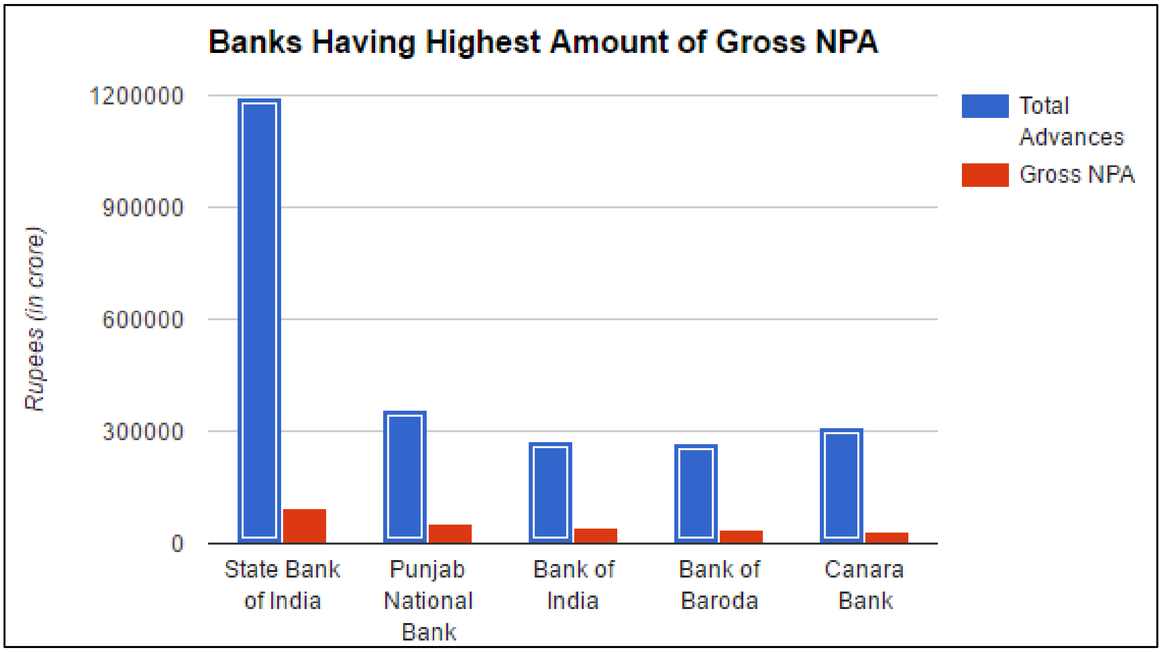
6. This trend may continue in a vicious circle and deepen the crisis.
7. Total NPAs have touched figures close to the size of UP budget. Imagine if all the NPA was recovered, how well it can augur for the Indian economy.

Extent of NPA's :-

The amount of top twenty Non-Performing Assets (NPA) accounts of Public Sector Banks stands at Rs. 1.54 lakh crores.

Bank	Total Advances (Rs. in crore)	Gross NPA (Rs. in crore)	NPA Ratio (%) ▲
Indian Overseas Bank	149,217	30,239	20.26
UCO Bank	115,166	21,495	18.66
Bank of India	274,391	43,935	16.01
Punjab National Bank	356,958	55,003	15.41
United Bank of India	70,781	10,104	14.28
Central Bank of India	185,719	25,107	13.52
State Bank of Patiala	85,239	11,365	13.33
Bank of Baroda	269,115	35,604	13.23
Allahabad Bank	145,328	18,769	12.92
Bank of Maharashtra	103,148	13,040	12.64

Indian Overseas Bank fares worst, having the highest ratio of NPA to total advances - 20.26 per cent. UCO Bank (18.66 per cent) and Bank of India (16.01 per cent) follow.In absolute terms, State Bank of India has the highest value of Gross NPA around Rs. 93,000 crores. Punjab National Bank (Rs. 55,000 crores) and Bank of India (Rs. 44,000 crores) come next.



Inadequacy of existing mechanisms to identify NPA's :-

Rise in customer base, multiple product offerings and regulatory pressures led to the implementation of Core Banking Solutions (CBS). However, NPA tracking and flagging continued to be part of manual compilation, which in effect was prone to errors and manipulation. With the advancement of technology-based solutions, banks moved to system-based identification of NPAs with limited manual intervention. However, this led to a sudden spurt in the NPA reporting for some of the large banks, which has raised concerns over the system used for tracking. The key considerations that banks can question are:

- Are these systems robust or can they aid hiding NPAs?
- Are the scenarios/ conditions for NPA recognition properly configured?
- Is the bank over-dependent on outsourced vendors managing such systems?
- Can the controls be manually overridden from back-end or at branch level?
- Are there adequate trails for the changes made?
- Is there adequate monitoring and oversight of the above?

Conclusion :-

RBI, Government and other authorities have initiated various steps in the direction of governance, accountability and responsibility. It is anticipated that the Government's reforms in the core sectors such as infrastructure, power, telecom, metals and mining would help reducing the stress in the banking sector.

Analysis of the current situation indicate that banks need to become more proactive in framing policies or guidelines and implementing it right from the grass-root level, with constant supervision by the top management. The new RBI guidelines have laid a firm pathway for improving overall robustness to manage loan frauds. Banks would need to adopt and implement the measures in true spirit and substance and not just 'form'. The key to proactive identification of red flags would be to integrate and analyze transactional data (bank statements) with documents available (audit report, sanction documents etc.) and information from the public domain including market information to find anomalies. Specific roles for designated persons, who will ensure compliance with the circular guidelines, would be necessary to ensure accountability of decisions taken.

There is also huge capital implication on these banks on account of high NPAs too. Banks need to set aside money (known as provisions) to cover their bad loans. The onus to keep government banks stay afloat lies with the government, which is the owner of these banks that control 70 per cent of the banking industry assets. Experts have opined that the government's promised capital infusion in these banks is inadequate.

The road to recovery is long and winding. But bankers are cautiously optimistic that the NPA situation will improve albeit at a slow pace.

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Money Diet:
It's not about how much money you make. It's how you save it.

Changing Role of RBI in Indian Banking
- 'Change is Constant'

Mr. Hariom Katwe (BBA II)

Abstract :

"The paper discusses the roles that the Reserve Bank of India has played in the Indian banking system and the evolving roles of the bank and its preliminary functions. The role of the bank in the last two decades has been changing and also structural changes made by the bank so as to adapt to the changing needs of the banks in the dynamic economic environment. It can be observed that the role of the Central bank has changed from being a mere controller to an enabler where it is in a position to make the banking industry more significant contribution to the country's economy."

Key Words – *Role, Change, Bank, Monetary*

Bank -

"An establishment authorized by a Government to accept all kinds of financial transactions and provide other financial Services to its Customers"

RBI – (Reserve Bank of India 'or' Central Bank)

The Reserve Bank of India (RBI) or the Central Bank is the backbone of the Indian financial system. It commenced its operation on **1st April 1935** during British rule in accordance with provisions of Reserve Bank of India Act 1934. It got nationalized on 1st January 1949 and the Headquarter of RBI is situated in Mumbai.

'RBI performs various roles so as to adapt to the changing needs of the banks in the dynamic economic environment'.

I) Basic roles of RBI -

1. **Issue of Currency Notes -**

   RBI has sole right to issue currency notes. The notes such as 50, 100, 500 and 2000 currencies are printed and issued by RBI itself.
2. **Banker to Government -**

   The RBI manages the banking needs of Government. It has to maintain and operate the government's deposit accounts. It collects receipts of funds and makes payments on behalf of the government. It represents the 'Government of India' as the member of IMF and the World Bank.

3. **Bankers to Bank -**

   All the banks in India maintain accounts with RBI which helps them in clearing and settle inter bank transaction and customer transaction smoothly. The most important role is that it provides loan section up to 6% for all banks.

4. **Regulator of the Banking System -**

   As a regulator and supervisor of Indian Banking System it ensures the financial stability and public confidence in banking system. It supervises new bank licenses, setting capital requirements and regulating interest rates in specific areas.

5. **Manager of foreign exchange -**

   With increasing integration of Indian economy with global economy arising from greater trade and capital flows, the foreign exchange market has evolved as a key segment of the Indian financial market and RBI has an important role to play in regulating and managing this segment.

6. **Deciding Policy and Reserve Ratios -**

Such as;

a) **Bank Rate or Discount Rate :**
   It is the rate of interest which a Central Bank Charges on the loans and advances to a commercial bank.

b) **Cash Reserve Ration (CRR) :**
   It is the amount of funds that the banks have to keep with RBI.

c) **Statutory Liquidity Ratio (SLR) :**
   It is the term for reserve requirement for commercial banks in India which they have to maintain in the form of gold, government approved securities before providing credit to the customers.

d) **Repo Rate (RR) :**
   It is the rate at which the RBI lends money to **Commercial Banks**.

e) **Reverse Repo Rate (RRR) :**
   It is the rate at which the RBI borrows money from commercial banks.

II) Changing Roles of RBI -

RBI commenced its operation in 1935 performing various roles but some roles got changed in between 1935-90's and after 90's.

- In early 1990's country faced with the crisis of maintaining its diminishing foreign exchange reserves. There was need to put in place a new economic framework and policies so as to deal with this situation.
- This period saw new economic reform which made the environment more conductive for the functioning of **private sector**.
- During this period the task of regulating the new system that was put in place bringing in technology to strengthen, modernize and make the functioning of banks more efficient, introducing varied monetary policy instrument and management of currency.
- New instruments introduced by RBI give more flexibility so as to better respond to changing macroeconomic environment.

Similarly many changes occurred during this period.

Post 1990's

- Changes in structure and operations to deal with the responsibilities thrust on it.
- In 1994 the Board for financial supervision was formed and was given that task of regulating, auditing and supervising banks, NBFC's and financial institution.
- In 1995 Bhartiya Reserve Bank Note Mudran Private Ltd was formed as a subsidiary of RBI. The reason for its formation was the management of bank's two printing presses so as to handle the supply of currency in the economy when needed.
- The Technical Advisory Committee (TAC) has been formed in 2005 where its role is to advice the bank on the actions that it should take while reviewing monetary policy.
- Pre-consultation meeting and resources management discussion conducting every year representative from other banking and financial institutions give their opinion and view regarding monetary policies.
- Another area of change in the recent past is more interaction b the bank with the journalist and the media resulting in better dissemination of information.

New monetary policy instruments introduced after 1990:

- Apart from CRR and SLR it has introduced other instruments such as '**Open Market Operation (OMO)** and **Liquidity Adjustment Facility (LAF)** to manage short term liquidity requirements for banks.
- In 2004 market stabilization Scheme for managing excess liquidity because of inflow of capital into the country from abroad.
- All this implemented roles in recent years gives required flexibility to deal with the changing macroeconomics conditions and make monetary policy transmission more efficient and effective.
- New rates got implemented in recent days after completion of 2016 like **Marginal Standing Facility (MSF)** and various other policies.

Changing Role of RBI after Demonetization:

- To detect frauds and malpractices occurring currently in various banks and misuse of Jan Dhan Accounts.
- To work with IT department for solving various issues in current situation.
- To make online banking more secure.
- To print and supply money at different locations in current situation.

Conclusion -

Finally I would like to conclude this paper by saying that as **'Change Is The Only Constant'** thing in the world, RBI changes its role according to the scenario and situation of the country by taking measures of strong financial foundation which helps to propel the growth of nation and its economy.

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Money Diet:

Money is not the only answer, but it makes a difference.

Future Banking: A New Pace towards Technology

Ms. Vaishali Patil (BBA – III)

Abstract:

Banking is today an integral part of our everyday life: At home, at school, at office, Business, on travel everywhere we count some aspect of banking. Day to day life is being felt increasingly. What are the institutions, so inevitable in the present day setup? How do they transact? How did the concept emerge? Not surface in our minds but are lurking deep down. Money plays a dominant role in today's life. Forms of money have evolved from coin to paper currency notes to credit cards. Commercial transactions have increased in content and quantity from simple banker to speculative international trading. Hence the need arose for a third party who will assist smooth banding of transaction, mediator between the seller and buyer, hold custody of money and goods, remit funds and also to collect proceeds. He was the "banker". As the number of such mediators grew there is need to control. Such mediating agencies gave birth to the concept of "banks" and "banking". With the exception of the extremely wealthy, very few people buy their homes in all-cash transactions. Most of us need a credit in form of loans, to make such a large purchase. In fact, many people need financial support from Bank to fulfill the financial requirement. The world as we know it wouldn't run smoothly without credit and banks to issue it. In this article, explore the birth of CERTAIN THINGS WHICH WILL TAKE IN FUTURE BANKING although a Flourishing industry.

Keywords: *Barter, Coin, Plastic Money, Banking, Technology, Future*

Introduction:

Posting a cheque, queuing in a branch, and waiting on hold for an overseas call Centre – these are all annoyances most of us must have experienced at some point in our day to day banking. Thankfully, the challenger banks are coming to shake things up with services that fit how we want to manage our finances. These newcomers are very focused on the future of digital, but it's about more than just having a fancy-looking app. There's a conceptual rethink going on in the banking sector, and it could look very different just a few short years from now.

The Future of Banking — More Than Just an App

"Take advantage of the supercomputer we all carry around with us – Our Smartphone".

The bank's current account will allow customers to manage all their day to day finances using their Smartphone, featuring integrated maps and brand logos on transactions to remind you at a glance where you've been shopping.

Data as a Commodity

Bank in 2015 was all about saving, investing and lending customers' money, while a bank in 2020 will store, monetize and license customers' data.

"A bank that combines both money and data. You can deposit data, it becomes a living, breathing thing just like money. You can lend, spend, invest and earn interest from your own data. And we are giving every customer their own API, a programmable interface which manifests in complete control over who gets access to their data"

The End of Bank Branches?

There is still some demand for face to face banking. But in order to remain relevant, bank branches will have to become part of the digital experience – banks will need to invest in in-branch digital tools which deliver new and immersive customer experiences.

Others said they would like access to a self-service remote adviser, and even biometric technology. As virtual reality headsets become more mainstream, expect some of the more tech-savvy banks to look at ways they can use this technology as well.

Buying up the competition

Won't incumbent banks with mega budgets just buy the startups when they prove to be successful? Maybe, but the big banks aren't as agile as they might like – they have boards and shareholders to appease and may not be able to move quickly enough to snap up innovative rivals.

"They have to get the timing right. We've seen it in other industries, like WhatsApp, for example. By the time Facebook figured out they wanted to buy it the cost was in the billions."

"And, yes, banks have very big pockets, but you can't buy up the 'unicorns' in mortgages, current accounts, savings and credit cards because you'll run out of money very quickly doing that."

Challenger banks may not yet pose much of a threat to the giants that dominate the sector, but they may have a chance to scale up quickly if they can lead the way in the technological and conceptual revolution.

History

BANK! A term that has become an integral part of our life. From saving money to booking online tickets, taking a loan, to any other money related operation bank has become the bridge that connect us with money. But how do they come into existence all of a sudden? Let's turn over the pages of banking history. The first banking system was started in Italy. In the middle ages Italians use to carry out the commercial training and transactions sitting on a bench. In Italian the word Banco that is Bench. With interactions to many clients and customers the word Banco changed into Bank.

Technically banking system was started right in the Paleolithic Age with the advent of barter system people traded and exchanged goods that they already had for things they needed. It was beneficial until the point they felt they need a common commercial tool for trading. As gold was commonly used by everyone they started using gold coins as a trading tool which led to the birth of banks. The inception of bank was mainly due to two kinds of people the merchants and the goldsmith. The traditional banking system was initiated through the concept of safe deposits, when the merchants travelled all around the world they needed a place to save the gold coins hence they approached the gold smiths to store these surplus gold coins in their safety wards. This is how safe deposits came into existence. Well the money was idle in the safety wards the goldsmith started lending it to people earning an interest, through this they also gave a part of the profit to the merchants as an incentive encouraging them to save more gold coins with them. This made way for saving and earning as a safest investment plan. ***These can be rightly called the stepping stones to the conventional banking system.*** The world's first bank is the bank of Saint George in Italy which was founded in 1407 whereas Monte nay pasha is the oldest surviving bank since its inception in 1472.

With the technological advancement the whole banking process is now confined to small mediums like computers and mobiles which has made banking a simpler process -***Just a click and you are into the money world in no time.***

Here are some of the technologies being trialed that could soon be found at a bank near you...

One of the most exciting things about living in the modern world is seeing the rapid rate at which new technologies are emerging. In the last few years we've seen the internet and mobile phones become commonplace, and now we're witnessing the birth of new devices that have the potential to change the way we interact with each other and the way we work. His financial sector has put in a great deal of effort, energy and money to earn customer faith. To continue to leverage the trust, it has to be competitive and cost effective, by adopting a higher level of technology at an accelerated pace. It simply must ride the wave of digital evolution that promises to be more 'disruptive' than ever before.

1. Biometrics

The term "biometrics" refers to the collection and use of biological data and behavioral characteristics. As more global financial activity becomes digitally-based, many banks are utilizing new technologies to develop next-generation identification controls to combat fraud, make transactions more secure, and enhance the customer experience. Bank of America: Fingerprint and Touch ID Sign-In Banks are fully capitalizing on Apple's Touch ID and its Android counterparts by harnessing the now-ubiquitous mobile phone feature as an added layer of security.

2. In car apps

Spanish bank Caxias Bank created the first mobile banking app that could be accessed while driving, using voice control functionality. Using Ford's SYNC with app link system, drivers are able to check their account balance and transfer funds, as well as locating nearby branches and atms.

3. Smart watches

The watch on your wrist is getting smarter and so is the banks that have come a long way since making you wait endlessly in queues to withdraw your money. Today, banks not only encourage customers to use other channels like the ATM, Internet banking and mobile banking to reduce transaction costs, but are also wooing customers to perform real-time banking and money transfers on social networking sites like Facebook and Twitter.

Now you can even do banking transactions on your smart watch—be it an Apple Watch (not yet being sold in India), Android Wear or Samsung Gear.

4. Facial recognition

As compared with other biometrics systems using fingerprint/palm print and iris, face recognition has distinct advantages because of its non-contact process. Face images can be captured from a distance without touching the person being identified, and the identification does not require interacting with the person. In addition, face recognition serves the crime deterrent purpose because face images that have been recorded and archived can later help identify a person.

5. Google Glass

Should banks take Google Glass seriously as a possible channel? There are two ways to look at it. Google Glass, and more broadly wearable's, should be taken seriously inasmuch as they COULD represent what the future of banking might look like. Wearable smart technology is indicative of the growing number of devices and channels. Whether those devices will be smart watches, Google Glass, a smart fridge, or whatever else is anyone's guess. As banking becomes more digital, however, banks are going to be pressed to meet the customer on their terms, no matter the device. It's the culmination of customer-centricity that's so often talked about in the industry, and which forms the basis for most retail banking strategies.

6. Robotics

While the notion of banking customers receiving advice from robots may seem like something out of a science-fiction movie, Rabobank has long been following trends in robotics and other branches of artificial intelligence with interest. What does the bank see as some of the key opportunities for the future in this field?

7. Augmented Reality

Augmented reality (AR) is a growing trend, especially for wearable used in manufacturing and healthcare, but is starting to find its place in banking too.
The 3D imaging software provides visualizations of the customer's balances and transaction history, as well as overlaying details on nearby Westpac branches. Augmented reality technology with smart phones is drawing a lot of attention these days by using specialized software; users can turn their iPhone, Android or other smart phones into a virtual heads up display. All a user has to do is point his phone's camera at any point/location/building and the relevant information is

displayed on the phone's screen as graphics. Most of the developers of mobile AR applications are expecting AR to become the next "Big thing" in the market.

8. Beacon Technology

The potential applications are almost endless. As well as deployments at film festivals and the Super Bowl, the first wave of beacon installations has seen customers in US retail outlets receiving product information, flash sale announcements and taking advantage of fast, contactless check outs. It is easy to imagine the scope for beacons to also be used in large department stores to navigate customers around the floor space, as well as triggering targeted offers.

9. Digital Cheque

Banking sector is considered the heart of an economy; integration of the banking and the information technology industry has benefited the consumers in many aspects with respect to time, cost and operational efficiency. Cheque is the most widely accepted Negotiable Instrument to settle transactions in the world. Paper cheques provide consumers and businesses critical alternative payments mechanism. Today billions of cheques are written and processed each year, and consumers and businesses remain confident and satisfied with writing cheques. However, cheque processing is experiencing a radical change as financial institutions and their customers now have new, more efficient ways to process and clear cheques. Financial institutions need to develop and implement a cheque image clearing strategy to remain competitive in the future.

An electronic cheque. A cheque that never expires. A cheque that never bounces whether because of insufficient balance in the account or a faulty signature. A cheque the creditor doesn't have to present physically at his bank. A cheque that enables outstation payments to be credited to the payee's account within 2-3 days flat. A cheque that transfers money at half the cost of a demand draft! It allows payment information to be deposited digitally using a mobile device.

Conclusion:

"It's easy to think that a app will change the world, but I think the technology opportunity has allowed much more than that – the front end, back end, integration to payment systems. The opportunity to build a bank from scratch is within our grasp."

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Money Diet:

Speed is the new currency of Business.

Regional Rural Banking

Mr. Nitin Biradar (BBA I)

Abstract:

Rural banking in India started since the establishment of banking sector in India. Rural Banks in those days mainly focused upon the agro sector. Today, commercial banks and Regional Rural Banks in India are penetrating every corner of the country are extending a helping hand in the growth process of the rural sector in the country.

Keywords: *Regional Rural Banks (RRB) Differential Interest Rate (DIR)*

Introduction:

Rural banking in India started since the establishment of banking sector in India. Rural Banks in those days mainly focused upon the agro sector. Today, commercial banks and Regional rural banks in India are penetrating every corner of the country are extending a helping hand in the growth process of the rural sector in the country.

Structure of Regional Rural Bank

The establishment of the Regional Rural Banks (RRBs) was initiated in 1975 under the provisions of the ordinance promulgated on 26.9.1975 and thereafter Section 3(1) of the RRB Act, 1976. The issued capital of RRBs is shared by Central Government, sponsor bank and the State Government in the proportion of 50%, 35% and 15% respective

RRBs established with the explicit objective of:

- Bridging the credit gap in rural areas
- Check the outflow of rural deposits to urban areas
- *Reduce regional imbalances and increase rural employment generation

Problems faced by Regional Rural Banks of India

1. Haste and Lack of Co-ordination in Branch Expansion:

Haste in branch expansion program in many cases has resulted in lopsidedness due to lack of co-ordination. In several cases, it could not be ensured that the branches of the RRBs are opened at centers where no commercial or co-operative banking facilities were provided.

2. Difficulties in Deposit Mobilizations:

The RRBs encountered a number of practical difficulties in deposit mobilization. On account of their restrictive lending policy which excludes richer sections of the village society, these potential depositors show least interest in depositing their money with these banks.

3. Constraints in Deposit Mobilizations:

The RRBs exclude the richer sections of the village society in providing direct financial assistance. These sections have potential savings to deposit. But, they are least interested in depositing them with the RRBs in view of the restrictive credit policy of these banks. Further, state and local governments and their agencies also have not co-operated much by maintaining their deposit accounts with the RRBs.

In short, the RRBs have failed to mobilise accounts within themselves.

4. Slow Progress in Lending Activity:

The RRBs' pace of growth in loan business is slow. For this the following reasons may be given:

(i) There has been limited scope for direct lending by RRBs in their fields of operations;

(ii) It is always difficult to identify the potential small borrowers and the bank staff has been required to make special and sincere efforts in this regard;

(iii) Most of the small borrowers do not like the bank formalities and prefer to borrow from the informal/indigenous sources of finance, such as moneylenders;

(iv) The anomalies in the Differential Interest Rate (DIR) Scheme also posed a special problem to the RRBs. While the RRBs charge 14 per cent interest, the commercial banks charge only 4 per cent under the DIR Scheme in rural area

Thus, no borrower would go to RRBs or co-operative societies in the area when a loan from the commercial bank is available under the DIR Scheme;

(v) There is no effective link between the RRBs and PACS and the farmers' service societies;

(vi) There is lack of co-ordination between officials of the district credit planning committees and the RRBs.

5. Urban-Orientation of Staff:

A crucial practical difficulty experienced in their working by the RRBs is the urban orientation of their staff which is rarely inclined to serve in rural areas. There is no true local involvement of the bank staff in the village where they serve.

6. Procedural Rigidities:

The RRBs follow the procedures of the scheduled commercial banks in the matter of deposits and advancing loans which are highly complicated and time-consuming from the villagers' point of view. The rural borrowers always appreciate informal ways and simple procedures as have been followed by the money-lenders and the indigenous bankers.

7. Staff shortage

A bank branch will need at the least a Manager, a cashier on front desk, a back office accountant, a peon and a guard at the least. Many branches have at least one post vacant. This skeletal staff is just enough to get basic day to day works done and if there is further manpower shortage, something will suffer. Especially when programs like PMJDY, PM insurance schemes, etc. are forced upon them.

8. Space crunch

Many haphazardly set up branches lack their own space, limiting the scope of their operations, especially in money storage.

9. Outdated systems

Many RRB branches still do a lot of work on paper, computerisation is minimum and only when forced by RBI. Only recently Core Banking has been added. Passbooks are filled by hand at many places even today.

Improvement in the Working of RRB

1. The unique role of RRB in providing credit facilities to weaker sections in the villages must be preserved. The RRB should exist as rural banks of the rural poor.
2. The RRB may be permitted to lend up to 25% of their total advances to the richer section of the village society.
3. The State Government should also take keen interest in the growth of RRB.
4. Participation of local people in the equity share capital of the RRB should be allowed encouraged.

5. Local staff may be appointed as far as possible.
6. Cooperative societies may be allowed to sponsor or co-sponsor with commercial banks in the establishment of the RRB.
7. A uniform pattern of interest rate structure should be devised for the rural financial agencies.
8. The RRB must strengthen effective credit administration by way of credit appraisal, monitoring the progress of loans and their efficient recovery.
9. The credit policy of the RRB should be based on the group approach of financing rural activities.
10. The RRB may initiate certain new insurable policies like deposit-linked cattle and other animals insurance policy, crop insurance policy or the life insurance policy for the rural depositors.
11. The RRB may relax their procedure for lending and make them more easy for village borrowers.
12. Co-ordination between district level development planning and district level credit planning is also required in order to chart out the specific role of the RRB as a development agency of the rural areas.

Conclusion:

RRBs should not confine their operations only in agriculture sector but also provides benefits to small entrepreneurs, village and cottage industries and small farmers. And they should establish proper co-ordination with other institutional financing agencies, co-operative banks, commercial banks and local participants to enhance their capability and exploit untapped rural market. Rural banks need to remove lack of transparency in their operation which lead to unequal relationship between banker and customer. Banking staff should interact more with their customers to overcome this problem. Banks should open their branches in areas where customers are not able to avail banking facilities due to underdeveloped transport and communication facilities. In this competitive era, RRBs have to concentrate on speedy, qualitative and secure banking services to retain existing customers and attract potential customers.

Impact of Demonetisation on Banking

Mr. Pradeep Murjani (BBA-I)

Abstract:

In the current scenario, we need to support the thought of PM Modiji on demonetization. On the contrary, we cannot neglect its impact on the banking sector. Demonetization as far as considered had positive impact as well as negative in the banking economy. Banks as far have been benefited after Modiji's Decision of Demonetization.

Key Words- *Demonetization, Banks, Cash, CASA, Exchange, AIBOA.*

Introduction:

On 8 November 2016, the Government of India announced the demonetisation of all 500 and 1,000 bank notes of the Mahatma Gandhi Series as legal tender. The sudden nature of the announcement—and the prolonged cash shortages in the weeks that followed—created significant disruption throughout the economy, threatening economic output. The move was heavily criticized as poorly planned and unfair and was met with protests, litigation, and strikes.

Prime Minister of India Narendra Modi on 8 November at 20:00 announced that use of all 500 and 1,000 banknotes of the Mahatma Gandhi Series would be invalid past midnight, and announced the issuance of new 500 and 2,000 banknotes of the Mahatma Gandhi New Series in exchange for the old banknotes.

The Reserve Bank of India laid down a detailed procedure for the exchange of the demonetized bank notes with new 500 and 2,000 bank notes of the Mahatma Gandhi New Series and 100 bank notes of the preceding Mahatma Gandhi Series. A window of fifty days until 30 December 2016 was stipulated to deposit the demonetized bank notes as credit in bank accounts. For immediate cash needs, the banknotes could be exchanged over the counter of bank branches up to a limit that varied over the days.

Cash withdrawals from bank accounts were restricted to 10,000 per day and 20,000 per week per account from 10 to 13 November 2016. This limit was increased to 24,000 per week from 14 November.

Current Scenario:

- **Before I state anything**, a clear picture of all the banks and ATMs is present which depicts today's reality. Long ques of people waiting for currency exchange or deposits outside the banks and for cash withdrawals outside ATMs. But definitely this is for a short time.

- **The Biggest Beneficiaries "BANKS"**
- Yes, the biggest beneficiary from this policy will be the banking sector. The reason behind being called the beneficiary is very obvious because as lot of people are depositing cash in the banks, there will be a lot of liquidity with the banks.
- As the deposits with the banks will increase so will increase the CASA, which will increase the Net Interest Income and the Net earnings of the banks.

- **What is CASA?**

CASA is abbreviation of Current Account Savings Account. It is the ratio which indicates how much of the total deposits with the back are in the current account and savings account. In a simple language, the deposits lying in the savings and current account are CASA.

How a higher CASA does indicate "Acche Din" for banks?

As stated above higher CASA means large amount of deposits are in current and savings account .This way the banks get funds at no or very low cost (interest). Banks do not pay interest on the current account deposits and pays a very low % of interest on savings account deposits. Hence, it is good measure to get deposits at no or very low cost.

- **The banks are expected to make a good profit which would eventually benefit the common men. How?**

As the banks get a lot of liquidity in their hands they will lend the money to the people at a lower rate of interest. Hence, the interest rate on borrowing will lower down.

Further, as the CASA increases the banks will not need any other way to get money.

- **Negative Impact on Banking**

- **Cash shortage:**

People queue outside a private bank to deposit and exchange old 500 and 1000 bank notes. The scarcity of cash due to demonetisation led to chaos, and most people holding old banknotes faced difficulties exchanging them due to endless lines outside banks and ATMs across India, which became a daily routine for millions of people waiting to deposit or exchange the ₹500 and ₹1000 banknotes since 9 November. ATMs were running out of cash after a few hours of being functional, and around half the ATMs in the country were non-functional.

- **Problems faced by Bank Employees:**

The All India Bank Officers Association (AIBOA) had given a call for demonstration against the problems that various banks and their employees were facing due to demonetization. Pointing out that the banking system itself is losing credibility because of frequent changes in RBI/government policies Bank employees are feeling increasingly targeted in the face of public anger. The constant notifications and the lack of cash provided have led banking establishments facing the wrath of clients. Banks staff members serve the people and are working overtime to keep their commitments, but are helpless when they do not get enough cash to meet the minimum requirement of the customers. The government's constant flip-flop on exchanging and depositing old cash notes in the bank branches, besides changing the limits on cash withdrawals has also created lot of confusion among the people.

- **Positive Impact on Banking**:

- **The surge in deposits will continue**

Banks are likely to see a sharp rise in deposits in the coming weeks. With withdrawals restricted and likely to continue to face limits, the banks will find themselves in a sweet spot. Banks will be in a situation where the net growth in deposits will be really rapid. Now why is this important? The largely cash economy was restricting the growth of deposits with banks. Most of these deposits over the next 45 days will come in the form of current and savings account (CASA) deposits, which means they will be low cost funds and will bring down the average cost of funds for banks. This will have 3 very important implications. Firstly, it will allow banks to expand their lending books as deposits growth was the key constraint. Secondly, this will have a salutary effect on cost of funds. As we have seen earlier, most of this money will come in the form of CASA deposits and hence the cost of overall deposits in the banking system will come down. Lastly, as the loan book expands the NPAs as a percentage of the outstanding assets will come down sharply. This will ensure that rate cuts are more seamlessly transmitted to the end customer.

- **Banks will see an improvement in their operating margins**

Currently, Indian banks (especially the PSU banks) are suffering from low OPMs due to weak net interest margins (NIM) and high level of NPAs. The current surge in deposits and fall in yields will combine to change that scenario. Banks will find themselves in a situation where the sharp increase in CASA deposits will reduce their average and incremental cost of funds substantially. That will be combined with a pick-up in credit as investing in SLR securities will become unviable with lower yields. Interest rates on the loan portfolio will not fall at the same rate as the cost of deposits having a salutary impact on the NIMs. With a surge in deposits, the average cost per client will also come down sharply and that will have its positive impact on the operating expenses of the bank. This, of course, will also have a positive impact on the valuations of Indian banks making a fit case for re-rating.

Conclusion:

So, in a nutshell, this demonetization may have come as a boon for Indian banks. On the one hand, they may see a surge in new account openings and on the other hand they are already seeing a surge in deposits. The bigger take away for banks will be the improvement in their operating margins. This could be the big moment for the Indian banking system.

"For Brighter Future of India, Let's Support Pm's Thought of Demonetization"

Money Diet:
The modern banking system manufactures money out of nothing.