

CHAPTER 1

INTRODUCTION TO BANKING

| Sr. No. | Particulars | Page No. |
|----------------|---|-----------------|
| 1.1 | Introduction | 2 |
| 1.2 | Origin of word Bank's | 3 |
| 1.3 | Meaning of Bank | 4 |
| 1.4 | Definition of Bank | 4 |
| 1.5 | History of Indian Bank | 5 |
| 1.6 | Structure of Banking In India | 12 |
| 1.7 | Functions of Commercial Bank | 18 |
| 1.8 | Banking Products | 22 |
| 1.9 | Types of Loan | 24 |
| 1.10 | Safe Deposit and Locker Service | 26 |
| 1.11 | Innovative Products and Services | 27 |
| 1.12 | Global Trends in Banking System | 32 |
| 1.13 | Term Deposit | 34 |
| 1.14 | Role Of Banker as a Direct Selling Agent or Direct Marketing Agent (DSA/DMA) | 34 |
| 1.15 | Importance of Branding In Bank | 35 |
| 1.16 | Targeting Woman | 37 |
| 1.17 | Special Type of Bank Customer : Married Women | 38 |
| 1.18 | Social Responsibility of Commercial Banks to Assist to Women | 40 |
| 1.19 | Women Bank In India | 40 |
| 1.20 | Bank Products and Services For Female | 45 |
| 1.21 | Bank Loan for Female | 50 |

1.1 INTRODUCTION

India's economy has undergone a substantial transformation since the country's independence in 1947. Agriculture sector now accounts for only one-third of the gross domestic product (GDP), down from 59 percent in 1950. In the current scenario the Indian economy is emerging as one of the strongest economy of world with the GDP growth of more than 7% almost every year. Indian banking is the nerve of economic system, accelerated the process of economic development through channalise adequate finance. It is tough to anticipate development of economy by neglecting proper banking services in the country. Banking world is changing very fast and banks are leveraging knowledge and technology in offering newer services to the customers.¹

India being the world's second largest populated country, the world economies is seeing it as their potential market. Indian markets in urban areas have grown appreciably and are on the verge of saturation, so corporates have started tapping rural markets, since more than 60 per cent of India's population lives in rural areas.

According to researches carried out by the Reserve Bank of India (RBI), on an all India basis, 59 per cent of the adult population in the country has bank accounts and 41 per cent don't. In rural areas, the coverage of banks is 39 per cent, against 60 per cent in urban areas. There is only one bank for a population of 13000².

In India, only 26% of women have an account with a formal financial institution, compared with 46% of men. That means an account in either a bank, a credit union, a co-operative, post office or a microfinance institution, according to a study by the World Bank. Also, for women, per capita credit is 80 per cent lower than males.³

Furthermore, the results of a study using a global dataset covering 350 Microfinance Institution in 70 countries reveals that more women clients is associated with lower portfolio-at-risk, lower write-offs, and lower credit-loss provision.

¹ Mathur.B.L, (2005), "Indian Banking System", Wide Vision Publication, Jaipur, p.1.

² <http://theviewspaper.net/growth-of-banking-and-development-in-india/>

³ http://en.wikipedia.org/wiki/Bharatiya_Mahila_Bank

When banks across the world are falling the Indian banks are safe, steady and strong, and act like a strong backbone of the economy. The banking sector in India is on a growing trend. It has vastly benefitted from the surge in disposable income of individuals in the country. The Indian banking sector market size is fragmented, with 46 commercial banks jostling for business with dozens of foreign banks as well as rural and co-operative lenders. State banks control 80 percent of the market, leaving relatively small shares for private rivals.⁴

The, future development of India and the growth of India lies in financial inclusion, by tapping the rural markets through banks. This will not only help corporates in fulfilling their social responsibilities, but is important for growth in other industries and to keep the economy moving.⁵

1.2 ORIGIN OF THE WORD BANK'S

There seem so be no uniformity amongst the economist about the origin of the word 'Bank'. It has been believed that the word 'Bank' has been derived from the French word 'Banco' or 'Bancus". It means bench. In India the ancient Hindu scriptures refers to the money - lending activities in Vedic period. They used to perform most of those functions which banks perform in modern era. During Ramayana and Mahabharata eras also banking had become a full-fledged business activity. In other words the development of commercial banking in ancient times was closely connected with the business of money changing.

In simple words, bank means an institution that deals in money. This institution accepts deposits from the people and gives loans to those who are in need. Altogether with dealing in money, bank these days renders various other functions, such as credit creation, agency job and general service. Bank, thus is such an institution which accepts deposits from the people, gives loans, creates credit and undertakes agency work.

⁴ <http://www.ibef.org/industry/banking-india.aspx>

⁵ Arya. E. (2011), Banking Development in India, RBSA Publishers, Jaipur, p.2.

1.3 MEANING OF BANK

A Bank is an institution which accepts deposits from the general public and extends loans to the households, the firms and the government. Banks are those institutions which operate in money. Thus, they are money traders with the processes of development, functions of banks are also increasing and diversifying now, the banks are not merely the traders of money, they also create credit. Their activities are increasing and diversifying. Hence, it is very difficult to give a universally acceptable definition of bank. "Banking business" means the business of receiving money on current or deposit account, paying and collecting cheques drawn by or paid in by customers, the making of advances to customers, and includes such other business as the Authority may prescribe for the purposes of this Act".⁶

1.4 DEFINITIONS OF BANK

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

-Indian Banking Regulation Act, 1949. Section 5 (b)

"A bank is an establishment which makes to individuals such advances of money as may be required and safely made, and to which individuals entrust money when not required by them for use."⁷

- Pro. Kinley

"A bank collects money from those who have it to spare or who are saving it out of their incomes, and it lends this money to those who require it".

- Crowther

"A Banker is one who is the ordinary course of his business honors drawn upon him by person from and for whom he receives money on current account."

- Dr. H. L. Hert

⁶ Gordon.E and R. Natarajan, (2006), "Banking theory, law and practice", Himalaya Publication House, Mumbai, p.1

⁷ Tannan. M.L., (2002), "Banking Law and Practice in India", Indian Law house, Delhi, p.2

“Bank is an establishment for custody of money received from or on behalf of its customers. It is essential duty is to pay their drafts unit, its profits arise from the use of the money left employed them.”⁸

-Oxford Dictionary

1.5 HISTORY OF BANK

1.5.1 PHASE I

The foundation of commercial banks in India was laid with the establishment of ‘Bank of Bombay’ in Bombay in the year 1720. Later on, ‘Bank of Hindustan’ was established at Calcutta, in the year 1770 by the agency house of ‘M/S Alexander and Company’.

‘The General Bank of Bengal and Bahar’ (Bihar) was established in the year 1773. It was a state sponsored institution set up in participation with local expertise. It was wound up in 1775 after being successful and made profit.

The East India Company established ‘The Bank of Bengal/Calcutta’ in (1809), Bank of Bombay in (1840) and Bank of Madras in the year (1843). The three independent banks were known as Presidency Banks and were governed by the Royal Charters. In 1876, these three banks were brought under a common statute and levied some restriction in their business through ‘Presidency Bank Act’. In the year 1823, Presidency Banks were given powers to issue notes, which continued until the enactment of the Paper Currency Act, 1861, when this right was abolished and entrusted to the Government.

In the year 1842, the Orient Bank Corporation established Bank of Western India in Bombay. In spite of being a private bank, it issued bank notes. In the year 1845, the Commercial Bank of India was established, which was also an exchange bank and ultimately failed in 1866. In 1860, a foreign bank, ‘Comptoire d’ Escompte de Paris’ opened a branch in Calcutta.

With the liquidation of ‘Bank of Bombay’ in 1868, the ‘New Bank of Bombay’ was established in January 1868.

⁸ Rao, R.S., (2009), “Law of Banking”, Andhra Law House, Visakhapatnam, p.24.

In the year 1865, 'Allahabad Bank was established which was first bank exclusively owned by Indians.

The first entirely Indian joint stock bank was the,'Oudh Commercial Bank, established in 1881 in Faizabad and it failed in 1958.

Punjab National Bank Ltd. was set up in 1894 with headquarters at Anarkali Market in Lahore. The Swadeshi Movement which began in 1906. Between 1906 and 1923, Banks of India, Central Bank of India, Bank of Baroda, Canara Bank, Indian Bank and Bank of Mysore were set up. All these banks were set-up as a limited liability company.

In 1920 and the Imperial Bank of India, which started as private shareholders banks, was established with mostly European shareholders.

On the basis of the recommendation of the Hilton Young Commission, The Reserve Bank of India (RBI) was established in 1935. During the first phase, the growth was very slow and banks also experienced periodic failures between 1923 and 1948. The bank was, originally set up as a shareholder's bank and was nationalised in 1949 and is fully owned by Government. There were approximately 1100 banks, mostly small. As per the Reserve Bank India Act of 1934, the Reserve Bank of India (RBI) was constituted as an apex bank without major government ownership. To streamline the functioning and activities of commercial banks, a series of banking crisis between 1913-1917 witnessed the failure of 588 banks. The Banking company (inspection Ordinance) came in January, 1946 and the Banking Companies (Restriction of Branches) Act was passed in February, 1946, which was later known as the Banking Regulation Act, 1949.⁹

As per the Banking Regulation (Amendment) Act of 1965 (Act No. 23 of 1965), RBI was vested with extensive powers for the supervision of banking in Indian as the Central Banking Authority. At some stage in those days, the public confidence in banks was somewhat low and, so deposit mobilization was slow. Alongside, of it the savings banks facility provided by the postal department was comparatively safer. Besides, funds were largely given to traders. The central office of Reserve Bank was

⁹ Subba Rao.P and P.K. Khanna, (2011), "Principles and Practice of Bank Management", Himalaya Publishing House, pp 4-7.

initially established in Calcutta (now Kolkata) but was permanently shifted to Bombay (now Mumbai) in 1937.

As at end of December 1935 there were 124 banks in the country.

Table - 1.5.1.1

A Table Showing List of Banks By 1935

| Sr. No. | Banks | Number |
|----------------|------------------------|---------------|
| 1. | Imperial Bank of India | 1 |
| 2. | Exchange Bank | 17 |
| 3. | Joint-Stock Banks | 106 |
| | Total | 124 |

Between 1935-1945 that is, during the period of the Second World War approximately 759 banks failed and between 1946 to 1935, 388 banks failed due to absence of sound business propositions.

1.5.2 PHASE II

Banking sector in India is dominated by nationalized banks. The government took major steps in the Indian Banking Sector Reforms after independence. In 1955, it nationalized the Imperial Bank of India (the State Bank of India Act) with wide-ranging banking facilities on a large scale, especially in rural and semi-urban areas as the first phase of nationalization. The major objective of nationalisation was to ensure mass banking as against class banking with banking infrastructure.

It created the State Bank of India (SBI) to as the principal agent of RBI and to lever banking transactions of the Union and the State Governments of the Country. In 1969, seven subsidiary banks of the State Bank of India were nationalized as a major process of nationalization due to the attempt of the Prime Minister Mrs. Indira Gandhi, Later in 1969, 14 major Private Commercial Banks in the country were nationalized. The list of 14 banks nationalized in 1969.

Table - 1.5.2.1

A Table Showing List of Nationalized Banks In 1969

| Sr. No. | PUBLIC SECTOR BANKS IN INDIA |
|--------------------|-------------------------------------|
| 1. | Allahabad Bank |
| 2. | Bank of India |
| 3. | Bank of Baroda |
| 4. | Bank of Maharashtra |
| 5. | Canara Bank |
| 6. | Central Bank of India |
| 7. | Syndicate Bank |
| 8. | Dena Bank |
| 9. | Indian Bank |
| 10. | Indian Overseas Bank |
| 11. | UCO Bank |
| 12. | Punjab National Bank |
| 13. | Union Bank |
| 14. | United Bank of India |

Nationalisation

The second phase of nationalization of Indian banks was carried out in 1980, with six more banks being nationalized. This step brought 80 percent of the banking segment in India under government ownership. The Government of India has taken the following steps to regulate banking institutions in the country:

1949: Enactment of Banking Regulation Act

1955: Nationalization of State Bank of India

1959: Nationalization of SBI subsidiaries

1961: Insurance cover extended to deposits

1969: Nationalization of 14 major banks

1971: Creation of Credit Guarantee Corporation

1975: Creation of regional rural banks

1980: Nationalization of seven more banks

After the nationalization of banks, the branches of the public sector banks in India rose to approximately 800 percent in deposits, and advances took a huge jump by 11,000 percent. Government ownership gave the public implicit faith and immense confidence in the sustainability of public sector banks. As on 31st of March 2005, there were 30 private sector banks operating in the country. After this, until the 1990s, the nationalised banks grew at a pace of around 4%, closer to the average growth rate of the Indian economy. The nationalised banks were credited by some including Home Minister P. Chidambaram, to have helped the Indian economy withstand the global financial crisis of 2007-2009.¹⁰

¹⁰ Vijayaragavan Iyengar.G, (2009), "Introduction to Banking", Anurag Jain for Excel Books, New Delhi, pp.2-6.

Table - 1.5.2.2

A Table Showing List of Private Banks

| PRIVATE SECTOR BANKS IN INDIA | |
|--------------------------------------|---------------------------------------|
| Bank of Rajasthan | IndusInd Bank |
| Bharat Overseas Bank | ING Vysya Bank |
| Catholic Syrian Bank | Kotak Mahindra Bank |
| Centurion Bank of Punjab | SBI Commercial and International Bank |
| South Indian Bank | United Western Bank |
| ICICI Bank | UTI Bank |
| IDBI Bank | YES Bank |
| HDFC Bank | Federal Bank |
| Dhanalakshmi Bank | |

1.5.3 PHASE III

The third phase of development of Indian banking is introduced with many more innovative products and services in the banking sector in its reform measures which has made access of banking products and services easy. In 1991, under the chairmanship of M. Narsimham, a committee was set up under his name, which worked for the liberalization of banking practices. The committee has recommendations for deposits, lending, capital adequacy, branch licensing policy, entry of private sector banks and so on.

The impact of financial sector reforms can be seen through:

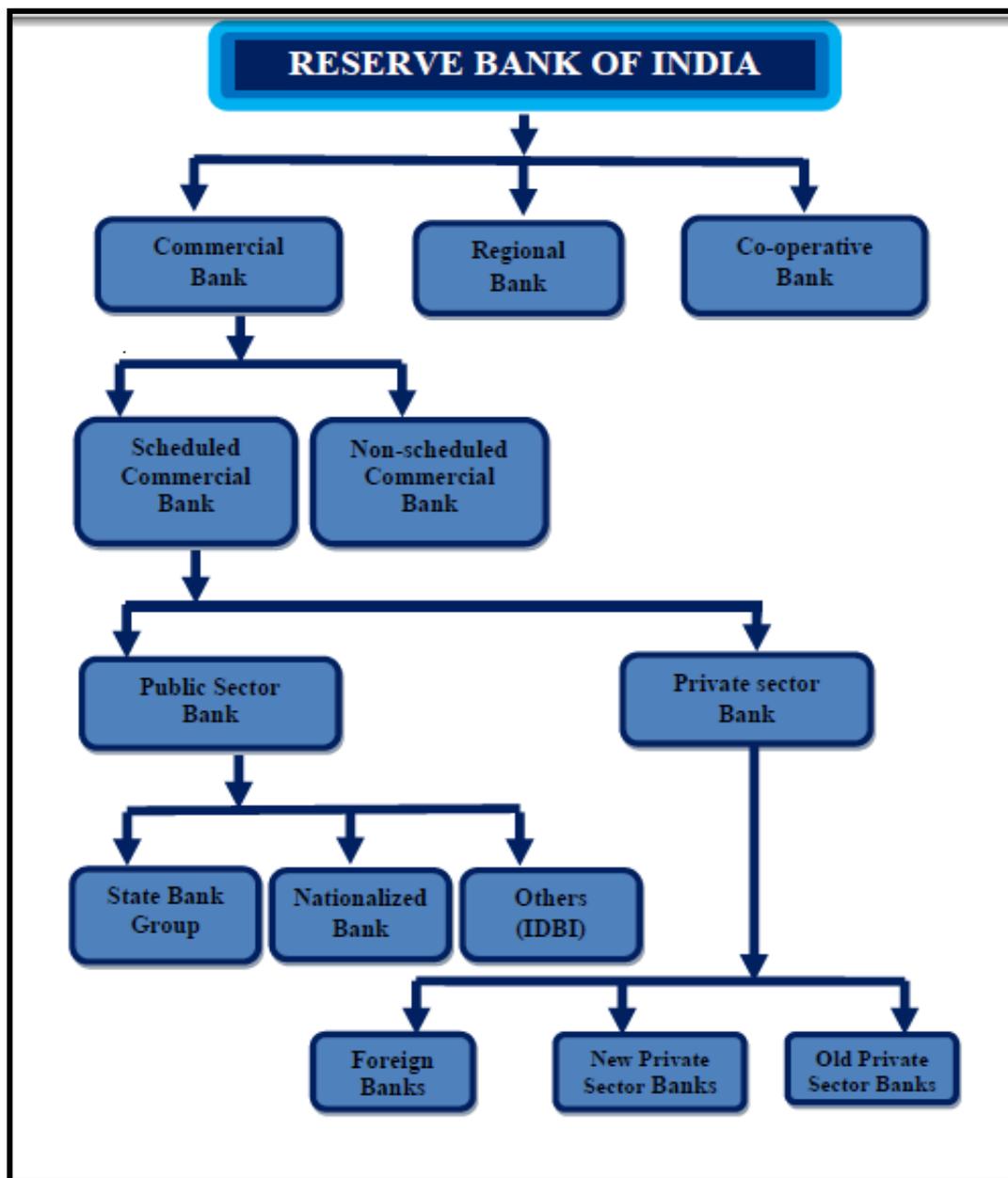
- The development in financial markets.
- Regulatory role
- The expansion of banking system
- Growth and regulation of non-banking finance companies.
- Mutual Funds
- Capital Markets
- Insurance company

The country has abandoned of foreign banks and their ATM stations. Efforts are being put in to give a satisfactory service to customers. Online banking, Phone banking and Mobile banking, Tele-banking have been introduced globally. The entire working system has become more convenient and swift. Services of online payment, online fund transfer, online bank account opening and accessing account statement has been made in existence. In prevailing scenario, time is given more importance than money. The financial system of India is grooming substantially. It is sheltered from any crisis triggered by any external macroeconomic shock to be suffered.

1.6 STRUCTURE OF BANKING IN INDIA

Chart – 1.6.1

A Chart Showing Banking Structure In India



A Chart Showing Banking Structure in India¹¹

¹¹ Raval, M. (2015), "Non-Performing Assets- An Overview of Indian Banking Sector", Kamlesh Prakashan Mandir, Jamnagar, p. 20.

1.6.1 RESERVE BANK OF INDIA (RBI)

The Reserve Bank of India is the Central Bank of the country. It was set up on the basis of the recommendations of the Hilton Young Commission. The Reserve Bank of India Act 1934 provides the statutory basis of the functioning of the bank, which commenced operations on April 1, 1935.

1.6.1.1 CONSTITUTION

The Reserve Bank was originally constituted as a shareholder's bank a capital of Rs. 5 crores divided into 5 lakhs fully paid up shares of Rs. 100 each. The entire share capital was contributed by private shareholders with the exception of the nominal value of Rs. 2.2 lakhs subscribed by the Central Government.

1.6.1.2 NATIONALISATION

In 1947, after independence, the public opinion was strongly in favour of nationalization of RBI. As a result, the Reserve Bank of India Act was passed in 1948 and the entire share capital of the Bank was acquired by the Central Government against compensation to shareholders at Rs. 118.10 per share, later on it started functioning as a government owned institution from 1st April, 1935.

1.6.1.3 OBJECTIVES OF RBI

- To manage and maintain sufficient money and credit in the country.
- Maintaining the stability of rupees internally and externally.
- To organize managed and well balanced banking development in the country.
- To structure and develop well organized money market.
- To manage public debt and set up Government banks.
- To provide agriculture credit in sufficient proportion.
- Centralization of cash reserve ratio of Commercial banks.
- To built financial infrastructure of the country.

1.6.1.4 FUNCTIONS OF RBIs:

It is an apex banking institution of the country. According to RBI Act, its main function is to issue notes and maintain reserves, currency and credit to maintain monetary stability in the general interest of the nation.

- The Reserve Bank of India has a sole right to issue notes in the country except one rupee and coins which is the responsibility of Central Government.
- It acts as a banker to the Government as per section 20, 21 and 21A as per RBI Act. It undertakes to accept money, makes payments and also carries out their exchange remittance and other banking operations including management of public debt.
- It works as an advisor to the Government regarding banking and financial matters, resource mobilization, flotations of new loans, small savings proposals, agricultural credit, industrial finance, and international finance and planning.

It's a monetary authority of country so regulates the money supply and to formulate and administer monetary policy.¹²

1.6.1.1 COMMERCIAL BANKS

The bank which performs all kinds of banking business and generally finances trade and commerce is called commercial banks. It mobilizes deposits from the public which are repayable on demand or at short notice and lent it in form of loans to traders and manufacturers for short term periods. They provide working capital to the business in the form of overdraft and cash credit. Altogether with this the bank also render a number of agency services such as collection of bills and cheques and subsidiary services such as discounting bills of exchange, issue of letter of credit, safe keeping the valuables, remittance of funds and so on. With the change in need and

¹² Gordon.E and R. Natarajan, (2006), "Banking theory, law and practice", Himalaya Publication House, Mumbai, pp. 370-373.

requirements the service of commercial banks are also expanding and getting modernized by using technology.¹³

1.6.1.1.1 SCHEDULED BANK

Scheduled commercial banks are those commercial banks which are incorporated in the second schedule of Reserve Bank of India Act, 1934. The below mentioned conditions must be content to quality for inclusion in the second schedule of the RBI Act 1934.

- i. The banks must have bare minimum paid-up capital and reserves of Rs. 5 lakhs.
- ii. The banks must either a company or a corporation whether incorporated in India or outside but hauling on the business of banking in India.
- iii. The bank must satisfy the Reserve Bank of India that its dealings are not being conducted in a manner unfavorable to the interest of the depositors.

At present, the RBI has agreed upon a minimum capital of Rs. 100 crores for starting a new commercial bank. The scheduled banks come with the direct purview of the credit control measures of the RBI and they are permitted for borrowings and rediscounting facilities from the RBI. They are also covered by the Deposit Insurance Scheme and the Credit Guarantee Scheme in operation. The schedule banks have to abide by all the rules, regulations and directions issued by the RBI from time to time.

1.6.1.1.1.1 PUBLIC SECTOR BANK

Public sector banks are those in which the majority stake is held by the Government of India (GOI). Public sector banks together make up the largest category in the Indian banking system. There are currently 27 public sector banks in India. They include the SBI and its 6 associate banks (such as State Bank of Indore, State Bank of Bikaner and Jaipur etc), 19 nationalized banks (such as Allahabad Bank, Canara Bank etc) and IDBI Bank Ltd. Public sector banks have taken the lead role in branch expansion, particularly in the rural areas.

¹³ Rao, R.S. (2009), "Law of Banking", Andhra Law House, Visakhapatnam, p.6.

1.6.1.1.1.2 PRIVATE SECTOR BANK

Previously all the banks in India were private banks. Private sector banking in India received a fillip in 1994 when RBI encouraged setting up of private banks as part of its policy of liberalization of the Indian banking industry. Housing Development Finance Corporation Limited (HDFC) was among the first to receive “in principle” consent from the RBI to set up a bank in the private sector. Private Banks play a pivotal role in the development of Indian banking industry. These banks have introduced innovative products and aggressive marketing strategies.

1.6.1.1.1.2.1 OLD PRIVATE SECTOR BANK AND NEW PRIVATE SECTOR BANK

In July 1993, as part of the banking reform process and as a measure to induce competition in the banking sector, RBI permitted the private sector to enter into the banking system. This resulted in the creation of a new set of private sector banks, which are collectively known as the new private sector banks. As at end March, 2009 there were 7 new private sector banks and 15 old private sector banks operating in India.¹⁴

1.6.1.1.1.2.2 FOREIGN BANK

Foreign banks have brought latest technology and banking practices in India. They have made Indian banking system more competitive and proficient. The government has come up with a road map for expansion of foreign banks in India.

The road map has two phases. During the first phase between March 2005 and March 2009, foreign banks may establish a existence by way of setting up a wholly owned subsidiary (WOS) or conversion of existing branches into a WOS. This second phase would begin in April 2009 after a review of the experience gained after due consultation with all the stakeholders in the banking.¹⁵

¹⁴ Raval, M. (2015), “Non-Performing Assets- An Overview of Indian Banking Sector”, Kamlesh Prakashan Mandir, Jamnagar, p. 23

¹⁵ Kothari.R, (2010), “Financial Services In India”, SAGE Publications Asia-Pacific Pvt. Ltd., Singapore,p.103.

1.6.1.1.2 NON SCHEDULED BANKS

Banks which are not included in the second schedule of the RBI are called non-scheduled banks. They are not entitled to enjoy the facilities which the scheduled banks enjoy as stated earlier. Today, non-scheduled banks have almost gone astray from the banking scene and so it carries little practical weight except that of academic interest.¹⁶

1.6.1.2 REGIONAL RURAL BANKS

Regional Rural Banks were established with the primary objective to provide credit and other facilities mainly to the small and marginal farmers, agricultural laborers and artisans. The Central Government passed an ordinance in September 1975 for the establishment of Regional Rural Banks (RRBs). The first RRBs were established on October 2, 1975. The authorized capital of each RRB is 1 crores and the paid up capital is Rs. 25 lakhs. Of these 50 percent is subscribed by the Central Government, 15 per cent by state government and 35 percent by the sponsor bank. At present it's in the proportion of 60:20:20 between three of all.¹⁷

1.6.1.3 CO-OPERATIVE BANKS

Banks formed on the principle of co-operation are called co-operative banks. Co-operative bank is an institution established on the cooperative basis and dealing in ordinary banking business. They lend short term credit to small-scale industrialists, agriculturists, artisans and so on. Co-operative banks accept all types of deposits and avail loans to members at lower rate of interest. It plays a noteworthy role in financing agriculture and allied activities. These banks are established under the Co-operative Societies Act of the states concern.

The three tire set-up of Co-operative Banks.

- State Co-operative Banks.
- Central/District Co-operative Banks at District Level.
- Primary Credit Societies at Village level¹⁸

¹⁶ Gordon.E and P.K.Gupta, (2012), "Banking and Insurance", Himalaya Publishing House, pp. 48-49.

¹⁷ Gordon.E and P.K. Gupta, (2012), "Banking and Insurance", Himalaya Publishing House, pp. 48-53.

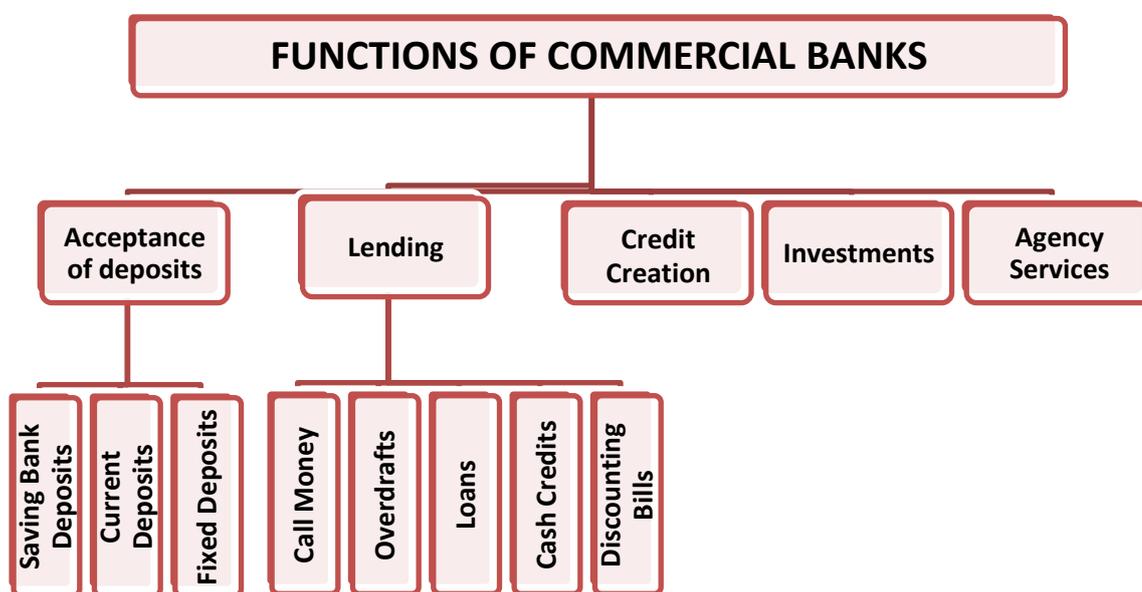
¹⁸ Deb.K, (1988), "Indian Banking Since Independence", S.B.Nangia, Delhi, p.296.

1.7 FUNCTIONS OF COMMERCIAL BANKS

Though borrowing and lending constitute the main functions of banking, yet they are not only functions of commercial banks. Commercial banks are involved in diversified activities and perform varieties of functions.

Chart – 1.7.1

A Chart Showing Functions Of Commercial Banks



1.7.1 ACCEPTANCE OF DEPOSITS

The most significant function of a commercial bank is to accept deposits from public. This is the primary function. Banks receives the idle savings of people in the form of deposits and finances the temporary needs of commercial and industrial firms.

Table - 1.7.1.1

A Table Describing Types of Deposits

| Sr. No. | Types of Deposits | Description |
|----------------|--------------------------|---|
| 1. | Saving Bank Deposits | It is advisable to those who just want to keep their small savings in bank and might need to withdraw them occasionally. Rate of interest allowed on savings bank deposits is less than that on fixed deposits. Withdrawals are allowed by cheques and withdrawal form. |
| 2. | Current Deposits | It is generally kept by businessmen and industrialists and for those who has large number of monetary transactions in their day-to-day lives. Being the nature of short term deposits or demand deposits, they are payable on demand and without notice and usually no interest is paid on such deposits as banks cannot utilize such deposits. Bank charges a little commission for maintaining such accounts, known as, 'incidental Charge' or 'Bank Charge'. |
| 3. | Fixed Deposits | It is referred as time deposits as fixed amount is deposited for a fixed period of time and deposits are payable after expiry of stipulated period. Customers get the benefit if higher rate of interest and the rate depend on length of period. This also facilitates for loan against securities. |

1.7.2 LENDING

The following major function of commercial bank is to advance loans. Finance is lent to traders and businessmen for short period only. The bank advances money in any of the following forms:

Table - 1.7.1.2

A Table Describing Types of Lending

| Sr. No. | Types of Lending | Description |
|----------------|-------------------------|--|
| 1. | Call Money | There are generally short term credits that range from one day to fortnight. There is even one night call money advances made available to bank with the help of this market. The rate of interest depends upon the conditions prevailing in money market. |
| 2. | Overdrafts | Customers of good standing are allowed to withdraw from their current accounts by paying interest on the extra amount that they have withdrawn. The amount allowed to withdraw varies from customer to customer depending on their reputation. |
| 3. | Loans | Banks grant loans on securities which can be easily deposited off in market. After getting satisfied about the soundness of party the loan is granted. Withdrawals are normally done through cheque and interest is charged on full amount though, withdrawn is done partly. |
| 4. | Cash Credit | It allows the bank customers to borrow money upto a certain limit against certain tangible securities as Government securities or shares of approved concerns. |
| 5. | Discounting Bills | The banks immediately pay cash by purchasing |

| | | |
|----|------------------------------------|--|
| | | bills which is discounted. After maturity of bills, the banks get back its full value. These bills are good liquid assets and safe investment too. |
| 6. | Loan against Shares and Securities | Commercial bank provides loans against the security of shares and debentures of reputed companies up to 50 percent of market value of shares. |

1.7.3 CREDIT CREATION

Credit creation is also an important function of commercial Bank. The process of credit creation automatically performed when bank accept deposits and provide loans Prof Sayers says, “Banks are not merely supply of money but in an important sense, they are manufacturers of money”. In this process, customers deposit their money in bank. Bank keeps certain amount of deposit as cash reserve and rest of balance given as loan and advances. Banks does not require keeping the entire deposits in cash. The amount of loan does not give directly to borrower. The borrower opens a account and then bank deposit money in that account. Here, bank’s lends money and process of credit creation starts. The current cash reserve ratio is 6% in 2011.

1.7.4 INVESTMENTS

Now-a-days commercial banks are also involved in Investment. Generally it implies of long term and medium term investments.

1.7.5 AGENCY SERVICES

At times in modern scenario, banks collects cheques, bills, promissory notes, buys and sells securities on behalf of customer, acts as a trustee in administration of ‘will’, or helps in transfer of fund from one branch to another. By rendering these services to individual or to the business institutions, the bank acts as an agent.¹⁹

¹⁹ Mathur.B.L. (2005), “Indian Banking System”, Wide Vision Publication, Jaipur, India, p.p. 38- 41.

A commercial function renders agency services, often fee based.

1. Bank collects cheques, drafts, promissory notes, interest, dividends etc. On behalf of its customers. Within the same city, it is free of cost. Outstation cheques will be collected by banks against commission.
2. The bank makes the payments such as a rent, insurance premiums, and loan instalment as per standing instructions.
3. Commercial bank provides portfolio management, project consultation, financial restructuring services and advisory.
4. Bank purchases and sells foreign exchange after obtaining licence from RBI.
5. The bank also acts as executors of will and trustees.
6. Commercial bank may undertake the purchase, sale, collection of different securities such as shares, debentures and bonds.

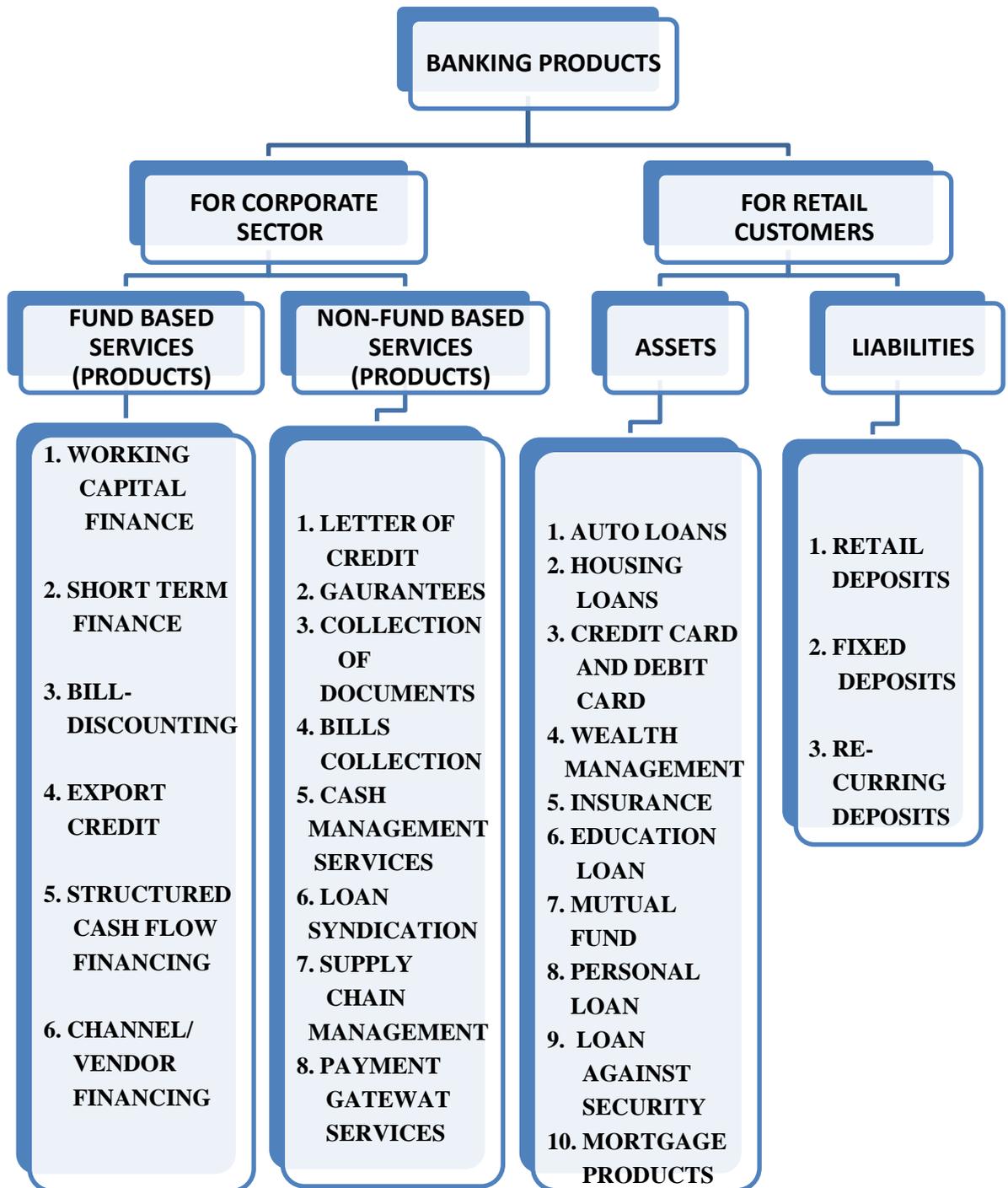
1.8 BANKING PRODUCTS

The banking products can be bifurcated in two categories that is fund based services and non-fund based services (products).

Fund based services are those where a bank has to make investment. There is a cost and risk of these services and return is expected from them. The difference between the cost and return is called spread. Non-fund based services and products are in advisory nature. A bank charges commission or fee for rendering these services. Banking products for retail customers are available to individuals. Bank provides these through creation of retailers' network (distributors-direct marketing associates) (DMA) and direct sales associates (DSA).

Chart – 1.8.1

A Chart Showing List of Banking Products²⁰

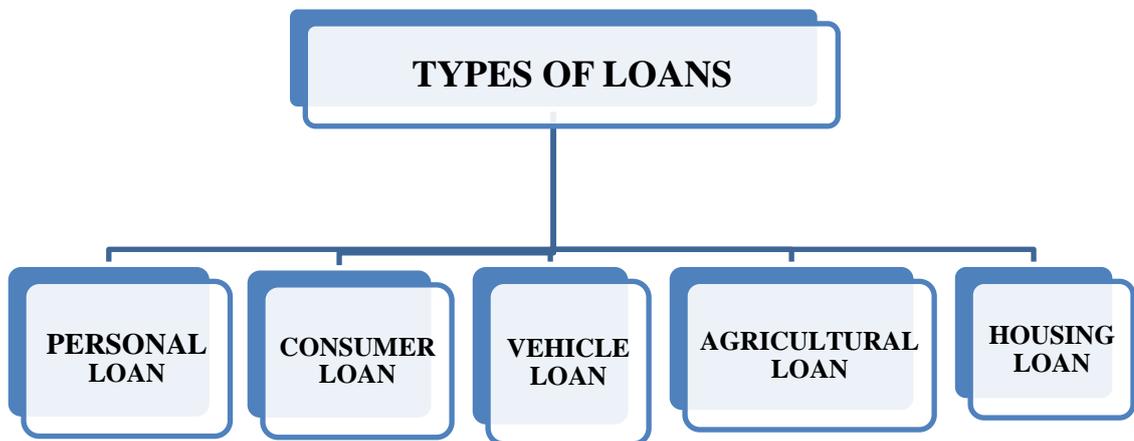


²⁰ Kothari.R, (2010), “Financial Services In India”, SAGE Publications Asia-Pacific Pvt. Ltd., Singapore, p.p106-109.

1.9 TYPES OF LOAN

Chart – 1.9.1

A Chart Showing Types of Loans



1.9.1 PERSONAL LOAN

Banks give a loan against some security so that it can recover dues in case of defaults. Proof of salary and employment certificate are normally obtained. At times, loans are given also given on personal securities like salary loan, loan to pensioners and professionals. Mainly a salaried person with regular source of income is preferred while sanctioning loan. Personal loans can be given for education, marriage or medical purpose and so on. The quantum of loan is decided on the basis of salary credited with the account and maintained with the branch. Sometimes bank insist guarantee also. The rate of interest on this loan is normally higher than other loans and banks prefer post-dated cheques. They also charge processing fee.

1.9.2 CONSUMER LOAN

Consumer loan is provided for the purchase of consumer durable goods like T.V, refrigerators, laptops and other accessories. In security the hypothecation of the article purchased out of bank loan. Consumer loan is sanctioned to salaried class,

pensioners, professionals, self-employed business men and other individuals. Documents are verified while sanctioning loan. Bank charges interest and processing fee.²¹

1.9.3 VEHICLE LOAN

The dominant type of instalment credit extended by banks is the auto loan, financing the purchase of a new or used automobile. Banks handle this type of financing in two ways.

- Lending directly to the borrower.
- Purchasing dealer instalment contracts.

1.9.4 AGRICULTURAL LOAN

Long term and short term agricultural loans are provided to farmers. This includes crop loan to raise crops and given against gold, minor irrigation, land development, plantation and horticulture, dairy farming, cattle rearing, poultry farming, fishery, bee-keeping, bio-gas plant, mushroom cultivation, piggery and rabbit farming, purchase of equipments and so on. Short term loans are repaid within 18 months where as long term loans are for more than 6 months. For large amount of loan an estimated project report will be called for and land records are required for land based loans. Loan for land development includes, land levelling and shaping, bench terracing for hilly areas, disposal drains, fencing, contour stone walls etc. The borrower has to produce a report on the estimated cost, supported by estimates of an engineer. Land purchase with the bank finance will be mortgaged as security. Interest charged on it will be varying time to time.

1.9.5 HOUSING LOAN

Home loans are available to resident Indians and NRIs for the purchase or construction of house or flats as well as for repairing and renovation of house. These loans are normally sanctioned to salaried class, professionals, self-employed and

²¹ Indian Institute of Banking and Finance, (2010), "Principles and Practices of Banking", MacMillan Publishers India Limited, Chennai, pp. 178-216.

business men and there is also income and age criteria for availing loan. Banks ask for Income tax return and bank account statement for documentation. It is a mortgage loan with long repayment period say 25 to 30 years. Most of the banks offer a rate of interest below the 'Bench Mark Prime Lending Rate'. Bank offers fixed rate and floating rate option too. If the instalment is not paid on the due date then normally penalty is charged.

Documents required:

- a) Agreement of sale deed.
- b) No Encumbrance certificate NIL EC (for 13 years)
- c) Bank statement for last 12 years
- d) Salary Certificate of self and spouse
- e) IT Returns for 3 years in case of non-salaried
- f) Parent documents for 13 years
- g) Approved building plan
- h) Valuation report from the Banker
- i) No objection certificate from housing board etc called patta.

1.10 SAFE DEPOSIT LOCKER SERVICE

It is a facility extended to the customer to allow them to keep their valuables and important documents in a specially designed locker on payment of pre-decided rent which is normally for one year. A locker can be hired by an individual except minor, firm, limited companies, particular association and societies. A locker will be hired by only properly introduced person. In case of the death of hirer of the locker the nominee will be given right to access it and in absence of nominee the access may be given to legal representative of deceased.²²

²² Indian Institute of Banking and Finance, (2010), "Principles and Practices of Banking", MacMillan Publishers India Limited, Chennai, pp. 153-154.

1.11 INNOVATIVE PRODUCTS AND SERVICES

The commercial banking business has changed dramatically over the past 25 years, due in large part to technological changes relating to telecommunications and data processing which have spurred financial innovations that have altered bank products and services and production processes. For example, the ability to use applied statistics cost-effectively (via software and computing power) has markedly altered the process of financial intermediation.

1.11.1 ELECTRONIC FUND TRANSFER SYSTEM (EFTS)

Electronic Fund Transfer facilitates speedier transfer of funds electronically from the bank account of the one customer to the bank account of another customer without any paper money changing hands, irrespective of being in different cities or with different banks. The benefits of EFT include reduced administrative costs, increased efficiency, simplified bookkeeping, and greater security. It is used for both credit transfers, such as payroll payments, and for debit transfers, such as mortgage payments. However, the number of companies who send and receive bills through the Internet is still relatively small. The RBI at the clearing centre sorts the transactions bank-wise and prepares the accounting entries of net debit or credit for passing on to the banks involved in the system.²³

1.11.2 ELECTRONIC PAYMENT SYSTEM (EPS)

EPSs enable a customer to pay for the goods and services online by using integrated hardware and software systems. The main objectives of EPS are to increase efficiency, improve security, and enhance customer convenience and ease of use. Though these systems are in their immaturity, some remarkable development has been made. In the e-commerce world, in most of the cases the customer does not actually see the concrete product at the time of transaction, and the method of payment is performed electronically.

²³ Agarwal.O.P, (2011), “Business Aspects in Banking and Insurance”, Himalaya Publishing House, Mumbai, p.130.

1.11.3 CREDIT CARDS

In the case of a credit card, the issuer offers credit and overdraft facilities.

A credit cardholder therefore has a monthly bill to pay in every month that the card is used. If they don't pay that bill, high interest charges are applied. A debit card holder is free from the hassle of paying those bills and from the risk of building up large debts to credit card companies.

1.11.4 DEBIT CARDS

It is a product introduced in India by Citibank a few years ago in association with MasterCard. Debit card is a payment card used to obtain cash, goods and services automatically debiting the payment to the card holder's bank account instantly in which credit balance exists. A client needs to have a bank account if he wants debit card. The debit cards are of two kinds.

1. PIN based – Personal Identification Number being issued by Master Card in association with City Bank.

2. Signature based – It is being used by Visa International in association with HDFC Bank.

1.11.4.1 ADVANTAGES

- Avoids carrying cash
- Less complicated than using a cheque
- Facilitates cash withdrawal
- It can be issued to any individual without assessing credit worthiness.²⁴

1.11.5 TELE - BANKING

Telephone banking is 24 hours banking being electronic banking product which can be availed by customer from home or work place. This system is based on voice processing facility available with the bank computers. The caller is generally an existing customer of a bank calling to inquire account balance, transaction history or to transfer funds between two accounts.

²⁴ Maniar.B.G., "Legal Regulations of Banking", First Edition, Rajkot, 2010, p.125.

1.11.6 MOBILE BANKING

Mobile banking comes with features like 128 bit encryption and open Internet technology. It does not rely on any particular service provider and the handset company. The facility is free of charge. A customer can check his bank balance or order a demand draft, stop cheque payment, request for a cheque book, look at a current interest rate or even the last couple of transactions round the clock.

1.11.7 NET BANKING

Internet banking is an improvement over PC banking. This is because Internet banking is done over a highly accessible public network. It is accessible to anyone using the Internet not just the bank's customers. Banks get the ability to deliver products and services to consumers at a cost that is lower than any existing method of delivery. It is easy to use and cost effective.

It facilitates the customers.

- To open new account, view balance and get online statement but do not permit any fund based transactions on their account.
- To pay electricity bills, telephone bills, insurance premium and so on.
- To complete loan applications and calculate interests.
- To print copies of cheques and deposits and to re-order cheque books and pass book.
- To stop payment and so on.²⁵

1.11.8 DEMATERIALIZED ACCOUNT

Demat account, popularly used short name for dematerialized account, it is something a person would require in case he wishes online purchase and sale of securities such as stocks, mutual funds, gold EFTs and so on. Although, he has the option of receiving securities in physical or demat mode, it would be advisable to receive the dematerialized form.

²⁵ Gordon.E and R. Natarajan,(2006), "Banking theory, law and practice", Himalaya Publication House, Mumbai, p.p. 244-245.

1.11.9 INSURANCE LINKED SAVING BANK ACCOUNT

Under this scheme, the account holder gets the advantage of accident insurance coverage decided at the bank's cost and also hospitalization cover for reimbursement of hospitalization expenses arising out of accident with pre-decided limit at the bank's cost. To get the benefits under this facility, the current/savings bank deposits account must hold the minimum balance of Rs.10,000/- for the period of 90 days prior to the date of accident and also the age of the depositor must be above 10 years and below 70 years as on the date of the accident, resulting in either permanent disability as hereinafter defined or death is eligible for this purpose providing necessary documents to the satisfaction of the bank.

1.11.10 AUTOMATIC TELLER MACHINE (ATMs)

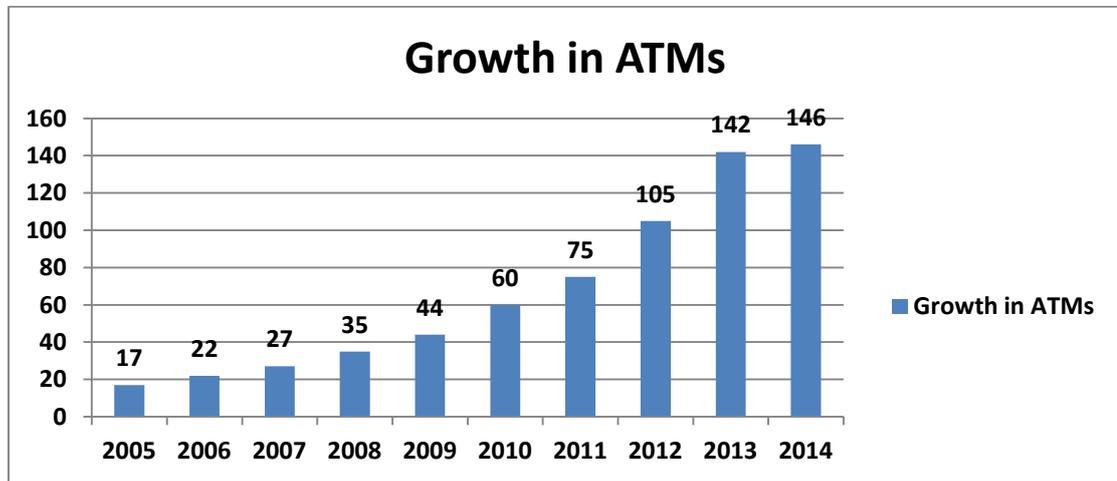
Automatic Teller machines facilitate to the bank customers for banking beyond the banking hours. ATM enables a customer to withdraw cash, deposit cash, know latest balance in their account, and order for statement of account and payment to third parties, requesting cheque books, payment of card bills and for transferring funds from one account to another.

The committee headed by Dr. C. Rangarajan recommended the setting up of ATMs in India. A customer needs to have an ATM card to perform financial transaction without interacting with the human teller. They are provided unique personal identification number (PIN). Whenever a person performs a transaction he has to enter that secret PIN which is validated by ATMs before the machine performs any transaction. ATMs in India has increased to 1,45,858 till 2014.²⁶

²⁶ <http://www.ibef.org/industry/banking-india.aspx>

Chart - 1.11.10.1

A Chart Showing Number of ATMs In India



ATMs provide 24hours, 7 day a week and 365 days a year service hence, it is called anywhere banking facility with quick service and free from error by providing flexibility and convenience in withdrawal. It facilitates fund transfer across the branches of banks with privacy too. Acceptability of card across multiple bank ATMs, even foreign tourists can access Maestro/VISA ATMs. It facilitates clearing cheques deposits, balance enquiry, cheque book requisition, details of recent transactions.

It avoids cash transaction and cash handling as well as the cost of setting up ATMs is lower than setting up a branch and service is cheaper, if there is sufficient large number of transactions by reducing operating expenses. It also helps to increase market penetration and enables bank to display products on the screen and serve as a media for publicity for the bank.²⁷

²⁷ Agarwal.O.P, (2011), "Business Aspects in Banking and Insurance", Himalaya Publication House, Mumbai, pp.124-125.

1.11.11 SMART CARDS

Smart Cards look like a plastic card and contain a small microprocessor or computer chip on the face of the card. It is actually a debit card loaded with a sum of money. It is used for small payments as well as prepaid telephone cards. The merchant establishments need a special device to transfer the money from the smart card. A client needs a bank account to avail this facility and banks issue Smart Card to the customer having good financial standing with worthiness and satisfactory records. For the smart cards having stored value, no interest is paid on balances transferred to it.²⁸

1.12 GLOBAL TRENDS IN BANKING SYSTEM

Universally, the banks are identifying the requirement to embrace technology in the vast area of products and services to compete successfully in the years ahead. Commercial banks are the largest consumers of the information technology. Banks perceive the future of the financial services industry as day by day, becoming heavily dependent on electronic delivery mechanism and are working towards bringing banking right into their customer's homes.

In India also, Real Time Gross Settlement (RTGS) systems has been thrown open to customers. The general belief is that the absence of these services could affect the banks' ability to access critical segments of their customer base. However, as a strategy, most of the banks are targeting home banking facility are investing heavily to develop and market high-tech services.

There has been a noteworthy tilt towards technology-driven products and services. Below mentioned are the visible trends in the banking system.

1. Majority of the banks are installing more and more ATMs for banking transactions.
2. Telephone banking, Credit cards and debit cards are finding increased acceptance of the customers.

²⁸ Maniar.B.G, (2010), "Legal Regulations of Banking", Rajkot, p.124.

3. The smart cards are offered by only a very few of the banks, but almost all the banks plan to offer these in the future.
4. PC banking is one more service which is finding wider acceptance.
5. To give customers more choices for collecting their cash, the banks are restoring to have non-traditional branches such as supermarkets and video kiosks.
6. Some banks offer smarter smart cards to execute commercial transactions at Internet.
7. Digital signatures are used for more secure banking transactions.
8. Banks are generating new sources of revenue and finding various ways to differentiate themselves from other banks and non-banks and are increasingly venturing into the fee-based services like the:

- Marketing of insurance and annuity sales
- Financial planning
- Mutual funds
- Trusteeship services

Additionally, the following activities are also finding technology as an able ally:

- Automated clearing systems
- Customer information database
- Imaging of paper documents
- On-line access to regulatory agencies
- Use of the Internet and mobile for customer services
- RTGS
- Cheque truncation

Globally, the banks are poised to use technology that will gradually give new dimensions to the banking products, services and delivery systems.²⁹

²⁹ Agarwal.O.P, (2011), "Business Aspects in Banking and Insurance", Himalaya Publication House, Mumbai, P.324.

1.13 TERM DEPOSITS

Deposits placed with bank for a specific period of time is termed as term deposits. Banks may accept term deposits for a minimum period of 7 days but usually not exceeding 10 years period that too in case of special order from the competent court of law.

1.14 ROLE OF BANKER AS A DIRECT SELLING AGENT OR DIRECT MARKETING AGENT (DSA/DMA)

In a bank, the Bank Manager, officer, marketing managers, the front line people or staff members are the Direct Selling Agent or Direct Marketing Agent. Banking offers the various non-conventional services to the customers through its different delivery channels.

The role of DMA/DSA is to collect the detailed information about the customers, and generate a database, create awareness among customers, educate them about various user friendliness systems for availing banking products and services, aware them about various products especially designed and offered considering need of targeted prospects.

1.14.1 BENEFITS OF DIRECT MARKETING:

1. Various products are made available at customer's disposition.
2. It lowers the operational costs.
3. It saves time and introduces customers to the different product selection.
4. It's convenient and easy.
5. It enhances new delivery channels to the customers.
6. It saves man power in bank and it's cost effective.
7. It facilitates banks to render to the needs of individual.

It is inevitable for banks to, necessarily, diverge their functions owing to changing and challenging customers needs, competition and international market

conditions. Direct marketing offers delightful benefits to the customer and widens the market scope for the banker.³⁰

1.15 IMPORTANCE OF BRANDING IN BANK

Branding is an important aspect of product planning. It is the practice of identifying a product or line of products by a special name or symbol or design or a combination of them to identify the products of a particular producer.

The brand is a name, term, symbol or design or a combination of all which is intended to identify the goods and services of one seller or a group of sellers and to differentiate them from those of the competitors. A brand includes a brand name and a brand mark.

1.15.1 REASONS FOR BRANDING

1. Brands are powerful instruments for sales promotion.
2. Brand facilitates easy advertisement and publicity.
3. It creates special consumer preference over the product.
4. Sales can be increased through brands.
5. It enables packaging.
6. It ensures standard quality.
7. It helps in labeling

Brand reveals consumers perception and feelings about performance of a product and services. The value of brand is its power to capture consumer preference and loyalty. The positive differential effect that knowing a brand name has on consumer response to a product or service and it is known as brand equity.

Branding in the banks used to display the trust and confidence as the customer's preference was security of money. Strong brands result in better investment performance, but they also decrease acquisition costs since customers are

³⁰ Indian institute of banking and finance, (2010), "Principles and Practice of Banking", Macmillan Publishers India Ltd, Chennai, pp. 436-437.

more likely to repeatedly purchase a product/service that they have come to trust and to whom they have demonstrated loyalty.

Banks have identified themselves with catchy slogans to create the brand.

1. City Bank : The city never sleeps
2. HSBC : The worlds local bank
3. Dena Bank: Trusted family bank.
4. Indian Bank: Taking technology to the common man.
5. Indian Overseas Bank: Good People to grow with.
6. Bank of Baroda: India's International bank.³¹

Four Stages of branding in banking services:

Stage 1: The customer based on brand identifies the company.

Stage 2: A new product branding takes place which is completely different from company's brand.

Stage 3: The brand is given a strategic role to focus on company's vision or core competence.

Stage 4: The Company becomes a brand driven organization where the management team leads the subordinates to brand vision in all regular activities.

Banks have propagated banking products and services through brand ambassador like Amitabh Bachchan, Dipika Padukon, Rahul Dravid, Hema Malini, Juhi Chawla and Shikhar Dhawan

³¹ Indian institute of banking and finance, (2010), "Principles and Practice of Banking", Macmillan Publishers India Ltd, Chennai, p389.

1.16 TARGETTING WOMEN

In spite of, rapid economic growth, there is inability of women to participate in the profound growth of Indian economy. The 2011 United Nations Gender Inequality Index (GII), which considered factors like labour force participation, reproductive health and education, ranked India a depressing 134th out of 187 countries, behind countries like Saudi Arabia, Iran and Iraq.

Though, Women in India have always worked and participated in commercial activities, their work is undervalued. An illiterate woman in an unskilled job earns around Rs. 85 a day less than half her male counterpart. Cultural and societal barriers are still preventing for women in setting up her own businesses without the help. Government initiatives have started helping women to achieve her goal, such as vocational training programmes these efforts have been supplemented by the work of hundreds of NGOs, such as the Mann Deshi Foundation and the Sambhali Trust.

India's GDP is projected to grow between 7 percent and 8 percent annually in the forthcoming years, making India the world's third largest economy by the year 2030. Women are almost half of India's demographic dividend so, if they are given support then, they can not only become financially independent, but could also become the engines that fuel India's future growth.³²

It's no longer a man's world. Most banks are looking to women by offering them various products, services and discounts. "Banks are targeting woman customers, who are broadly untapped even today," said a senior executive at SBI. Several government-owned banks are also in the process of initiation of all women branches and have underlined the requirement to focus on women and empower them.

The country's largest lender State Bank of India (SBI) and Indian Overseas Bank has offered home loans to woman at cheaper rates, while other private sector banks like ICICI Bank have come out with attractive offers for women depositors, term deposit, smart cards and so on. Majority of the banks have promoted several schemes for the self-help groups in semi-urban and rural areas.

³² Blair.C and S. Chatterjee. (2013), "Promoting Women's Economic Participation in India", Huffington Post Publication.

Former, finance minister P Chidambaram said that less than 30% of the country's women have bank accounts. In India, the per capita credit in the case of women is 80% lower than in the case of men.³³

Standard Chartered has also facilitated several networking opportunities for female customers, which includes the 2009 Global Banking Alliance Summit and the Standard Chartered Women in Business Summit, held in Singapore in October 2009 with 120 female business leaders from across 30 markets. The Bank also offers the 'Diva' account and credit card, 'Orjon' business installment loan for female entrepreneurs, all-women branches and private banking centers specifically for women. In 2008, Standard Chartered announced a Clinton Global Initiative commitment and is providing financial literacy training to at least 5,000 women across Asia. The Bank has also expanded its own work with Goal – an innovative programme which uses sport and education courses to build self-esteem, confidence as well as skills and knowledge among young women.³⁴

1.17 SPECIAL TYPE OF BANK CUSTOMER: A MARRIED

WOMAN

Unlike other customers, a banker can open a bank account on the name of a married woman. She has a power to operate her account by herself the bonafied dealing with the account cannot be questioned. There was a time when married women were allowed to open accounts only after the consent of her husband. She was restricted to hold a property on her name.

³³ Venkatesh.M, (2014), " Targeting women Banks give special products to woo female borrowers", Hindustan Times, New Delhi.

³⁴[http\\:women.products\global.alliance.for.women.htm](http://women.products/global.alliance.for.women.htm).

1.17.1 THE PRESENT POSITION OF A MARRIED WOMAN

1. Now a married woman is allowed to open and operate a bank account without interference of her husband, independently.
2. According to the Hindu Marriage Act, 1956 she can own property in her own name even after her marriage. The Indian Succession Act, 1925 and the Married Women's Property Act, 1874 permit the other women to have properties in her own names.
3. Altogether with owning property, in certain cases the properties would have been settled in such a way that she can only enjoy the income from those properties and the ownership would not have been transferred. A banker was to lend under those circumstances, he could not attach the property for non-payment of the money.
4. Under the circumstances when she borrows money for the necessities of her life, household or acts as an agent of her husband at that time she can make her husband liable for the overdraft enjoyed by her.
5. The privileges given to a married woman under law are she cannot be imprisoned for non-payment of a judgment debt and she cannot be declared an insolvent, unless, she is involved in business or trade.

1.17.2 BANKER'S DUTY

1. A banker can open an account of a married woman. He is safe until account shows a credit balance.
2. When she applies for an overdraft facility, the banker should see that she owns separate property in her own name. She must see that her husband is also made liable for the repayment of the loan for which she should obtain his consent.
3. Circumstances under which a woman is illiterate, her left thumb impression should be taken on the account opening form.

A banker is well informed and advised to open a women bank account but not for an overdraft facility without safeguarding his position.

1.18 SOCIAL RESPONSIBILITY OF COMMERCIAL BANK FOR ASSISTANCE TO WOMEN

Banks provides credit facilities for greater economic reliance of women, especially those belonging to the weaker section. Women entrepreneurs are also provided financial assistance for setting up of nontraditional ventures and some banks conduct entrepreneurial programmers for women to make them self-employed and also to formulate for financing women entrepreneurs. Public sector banks have been suggested to increase the share credit to women to achieve a target of 5% of net credit by 2004.³⁵

1.19 WOMEN BANK IN INDIA

Women in India consistently lag behind from the economic and social inequality as compared to the men in terms of access to education, health care, jobs and so on.

The sad reality is that women in India are facing discrimination and hardship at home, at school, at their place of work and in public places. Thus for their social, economical and political empowerment government of India has started thinking about and in this mission various banks are also contributing by offering especial products and services to Female.

1.19.1 BHARTIYA MAHILA BANK

India's first public sector bank exclusively for women started by Government of India with initial capital is of Rs 1,000 crores was established on 19th November, 2013 and had head quarter in New Delhi. The first branch of bank was opened at Air India building at Nariman Point in Mumbai. Bhartiya Mahila Bank is opened with key objective of banking needs of women and promotes economic empowerment. Its slogan is Empowering Women, Empowering India. The key person is Usha Ananthasubramanian who is Chairperson and Managing Director.³⁶

³⁵Gordon.E and Dr. R. Natarajan, "Banking theory, law and practice", Twentieth edition, Himalaya Publication House, Mumbai, 2006, p.p. 52, 261.

³⁶ <http://www.bhartiyamahilabank.co.in/p/about.html>

The Bharatiya Mahila Bank has been set up by the government exclusively for women and has predominantly employed women. One of the key objectives of the bank is to focus on the banking requirements of women and promote economic empowerment through women's growth and development. The bank has appointed an all-women board of 8 members. It offers banking Products and services like Credit cards, consumer banking, corporate banking, finance and Insurance, investment banking, mortgage loans, private banking, private equity, and wealth management and so on.

According to reports, initially, the bank had targeted to have 39 branches (including mobile and satellite branches) and 127 ATMs with 33,299 customer accounts.

It has branches in Mumbai, Thane, Pune, Chandigarh, Bhubaneswar, Panchkula, Vadodara, Ahmedabad, Indore, Bhopal, New Delhi, Chandigarh, Gurgaon, Patna, Ranchi, Raipur, Kolkata, Guwahati, Shimla, Shillong, Gangtok, Thiruvananthapuram, Chennai, Coimbatore, Bengaluru, Mangalore, Hyderabad, Jaipur, Alwar, Dholpur, Komargiri, Kakinada, Goa, Agartala, Agra, Haridwar, Kanpur, Lucknow, and Dehradun.

The major objective of bank is to emphasis on funding for skills developments to help in economic activity. Moreover, the products are designed in a manner to give a concession on loan rates to women. It also aim to inspire people with entrepreneurial skills and, in combination with NGOs, plans to locally mobilize women to train them in vocations like toy-making or driving tractors or mobile repairs, according to Usha Ananthasubramanian (CMD). One of the other objectives of the bank is to promote asset ownership amongst women customers.³⁷

1.19.2 MAHILA SAMRIDHI BANK (UDAIPUR)

“The Udaipur Mahila Samridhi Urban Co-operative Bank Ltd.” was established in the year 1995. It is one of the youngest urban co-operative banks in the Rajasthan reputed for its quality and services.

³⁷ http://en.wikipedia.org/wiki/Bharatiya_Mahila_Bank

"Mahila Samridhi Bank" was founded by Mrs. Kiran Maheshwari who became its first Chairperson, Mrs. Kiran Jain the first Vice-Chairman. These were the personalities with deep and abiding ideals, faith, vision, optimism and entrepreneurial skills. This bank offers products and services like Saving Account, Current Account, and Loans for business, transport, plot purchase, housing loan, consumer loan, and mortgage, personal and so on. It accepts deposits in 'Aapni Gaarelu Bachat Yojna' Safe deposit lockers, branch connectivity, demand draft pay orders, life insurance, ATM service, Sms banking services and so on.³⁸

1.19.3 PRATIBHA MAHILA SAHAKARI BANK

Pratibha Women Cooperative Bank is a cooperative bank founded by Ms. Pratibha Patil, who later became the President of India. The bank was established in 1973 in Jalgaon in Maharashtra with the objective of empowering women. Pratibha Patil is the founding chairperson of the bank and later on she became one of its directors.

The bank was declared as weak by the Reserve Bank of India in 1995. Two enquiries under the Maharashtra Cooperative Societies Act were ordered in July 2001 and April 2002. "Her relatives have not paid back the loans. Most of the loans were given without security. Most of the loans are closed"³⁹

1.19.4 MANN DESI

Mann Deshi Malhila Sahakari Bank was started in 1997 for and by rural women. Since then the bank has established seven branches and served over 200,000 women in Maharashtra. The mission is rural economic empowerment by providing capital and other financial services to impoverished women.⁴⁰

Chetna Gala Sinha founded Mann Deshi Mahila Sahakari Bank which is India's first rural cooperative bank for women in 1997. It has since grown to become the largest cooperative bank for women in the state with seven branches and over 185,000 clients.

³⁸ <http://samridhibank.com/loans.html>

³⁹ http://en.wikipedia.org/wiki/Pratibha_Mahila_Sahakari_Bank

⁴⁰ http://manneshbank.com/Bank_About%20Us.html

The bank focused on poor women and has been able to see the need for unique services such as loans for girls to buy bicycles to get to school and mobile sewing classes aboard a bus that goes too far flung villages. Mann Deshi's non-profit arm, the Mann Deshi Foundation, operates training centers at each branch, offering everything from one-day courses in financial literacy to a year-long course on running a business.

To help women in critical situations, the bank set up a toll-free hotline. The phone line is an extension of the chamber of commerce, helping women to get business licenses and resolve legal issues.⁴¹

1.19.5 MAHILA SHAHKARI BANK

The Gramin Mahila Bank (GMB) Vadodara was established on the occasion of the 125th birth anniversary of Mahatma Gandhi on October 2, 1994 and it crossed a landmark of sorts with its aggregate microfinance lending reaching Rs five crores. The bank was started with the objective of aiding self-employed women in the rural and urban areas of the state.

Chairperson of the bank who was former state finance minister Ms. Sanat Mehta stated that the bank had made a beginning through small advances of Rs 1,000 each to 125 women. The money for the advances was collected from friends and sympathisers. The bank has been able to reach out to more than 12,000 self-employed women. The bank charged 12 per cent interest and loans were given without any collateral guarantee. Those taking the advances have also been able to make savings of Rs nine lakhs. Women were paid interest on savings at rates equal to interest given by banks in savings accounts.⁴²

The Bank of Jamnagar is recommended for consumers who want the widest range of services. Gramin Mahila Bank advances reach Rs 5 crores mark. They offer sound investment advice to insure that money grows at the fastest possible rate. They share a wealth of information with their customers and customer service is top-of-the

⁴¹ <http://blogs.wsj.com/indiarealtime/2014/03/03/bank-built-for-women-blooms-in-india/>

⁴² <http://timesofindia.indiatimes.com/city/vadodara/Gramin-Mahila-Bank-advances-reach-Rs-5-crore-mark/articleshow/18451443.cms>

line. Allahabad, Andhra, and Baroda are all comparable banks that work with consumers for the best possible financial future.⁴³

1.19.6 SEWA BANK

SEWA bank exists to reach to maximum number of poor women workers engaged in the unorganized sector and provide them suitable financial services for socio-economic empowerment and self development, through their own management and ownership.

Based on its ideology and long experience of working to mainstream poor women workers in the informal sector, SEWA Bank's approach to banking has been to consider the life cycle needs of women and to then try to meet those needs. The objective is to assist women to get out of this spiralling poverty syndrome .When a woman joins SEWA bank she also begins the process of capitalisation in her life. The capitalization is understood as the process of formation of capital towards sustainability and growth, at the level of the individual as well as at the level of the household.

Usually when she joins SEWA Bank, it is her first exposure to (formal) banking.

Women workers, especially those in the informal sector-have been largely bypassed by the formal banking institutions. However, they are economically active, and have distinct expenditure patterns, depending upon their trade or work, their family situation and their socio -economic conditions.⁴⁴

⁴³ <http://jamnagar.guialis.co.in/info/jamnagar-mahila-sahakari-bank/760541>

⁴⁴ <http://www.sewabank.com/introduction.html>

1.20 BANK PRODUCTS AND SERVICES FOR FEMALE

Table- 1.20.1

A Table Showing Women Centric Products and Services by Various Banks.

| Sr. No. | Name of Bank | Products/ Services | Details |
|---------|--------------|--------------------|---|
| 1. | HDFC Bank | Gold Credit Card | HDFC Bank announced a 4 per cent discount on purchase of gold bars on the daily gold price quoted by the bank, through a gold credit card targeted exclusively to women. The bank also explored the option of offering sale of silver coins too, subject to regulatory approval ⁴⁵ . |
| 2. | Vijaya Bank | V.Balika Deposits | Government of India launched the National Scheme for incentives to girls for Secondary Education. Under the scheme the eligible girl student received Rs.3000/- deposit by the specified authorities along with interest accrued therein on compliance of the conditions specified under the Scheme. The key objective of the scheme is to reduce school drop-outs and promote the enrolment of girl child. ⁴⁶ |

⁴⁵ http://www.business-standard.com/article/finance/hdfc-bank-offers-4-rebate-on-gold-to-women-106030901075_1.html

⁴⁶ <http://www.vijayabank.com/Savings-and-Deposits/Term-Deposits/Fixed-Deposit#>

| | | | |
|----|-------------------|-------------------------------|---|
| 3. | IDBI Bank | Supershakti Women Account | It is a Zero Balance savings account for women with two free accounts for their children below the age of eighteen years by presenting Simple Documents. It provides faster transfer of fund, online options to pay your bills or tax, auto Sweep out facility, free Statement by e-mail and lot more. ⁴⁷ |
| 4. | ICICI Bank | Women Debit Card | A Debit Card particularly designed and packed with conveniences of every woman. It avail attractive discounts for shopping, dining and more. ⁴⁸ |
| 5. | Axis Bank | Smart Privilege Debit Card | This Debit Cards come with a comprehensive insurance cover like Personal Accident Insurance Cover till 3 lakhs, Zero Lost Card Liability, Purchase Protection for all consumer durable goods purchased using the debit card are insured against fire, natural calamity, burglary and housebreaking up to 90 days from the date of purchase. |
| 6. | Kotak Mahindra | Silk Saving | This programme is dedicated to the woman of substance, it offers in finance, dining, |

⁴⁷ <http://www.idbi.com/super-shakti-women-savings-account.asp>

⁴⁸ <http://www.axisbank.com/personal/cards/debit-cards/others-debit-cards/smart-privilege-debit-card/features-benefits.aspx>

| | | | |
|----|---|--|---|
| | Bank | Programme | health or lifestyle, discount on locker rent, bill payment, home banking and lot more to empower women and make her feel special in every way. ⁴⁹ |
| 7. | Tamilnad Merchantile Bank Limited | Mahalir Loan | This scheme is exclusively customized for women in business. This loan scheme is suitable for all the general business that need funding for the working capital and other business related funding necessities as it offers loan upto Rs. 10 Lakhs with interest on diminishing balance. |
| 8. | HDFC Bank | HDFC Life Smart Woman Plan | It is a life insurance policy for women which give wings to her aspirations. The plan ensures her savings growth by leaving her free to pursue her career and continue making a difference to those around. She can select any of the 3 Benefit Options, Pregnancy complications or birth of child with congenital disorder, Diagnosis of malignant cancer of female organs, Death of spouse. ⁵⁰ |
| 9. | Raigadh District Central Co- operative | ‘Mahalakshmi Deposit’ Scheme for women Self Help Groups | This Scheme is for unmarried girls, married women, widows and women Self Help Groups. Under which at least Rs. 5000/- should be invested for 351 days |

⁴⁹ <http://www.kotak.com/personal-banking/savings-accounts/silk-woman-savings-account.html>

⁵⁰ <http://www.hdfclife.com/women-insurance-plans/smart-woman-ulip-plan>

| | | | |
|-----|----------------------|---|--|
| | Bank. (RDCC) | (SHG). | which caters 10.25% rate of interest for women. Self Help Groups is 10.50% at compound rate of interest. Women are eligible for loan up to 90% of their invested amount. ⁵¹ |
| 10. | Vijaya Bank | Assistance For Marketing Of Non Farm Products Of Rural Women (MAHIMA) | The scheme is for assistance to Rural Women in Non-Farm Development. The loan assistance for not exceeding Rs.50000/- per borrower or say Rs.10 lakhs for a group activity involving 20 rural women. ⁵² |
| 11. | Punjab National Bank | Mahila Udyam Nidhi Scheme | <p>Mahila Udyam Nidhi Scheme: Targets the micro and small scale sector as well as the rehabilitation of sick SSI units.</p> <p>Mahila Samridhi Yojna</p> <p>Under This Scheme these are for purchase of required infrastructure for Setting up of</p> <ul style="list-style-type: none"> •Tailoring shop/Boutique •ISD/ STD Booths, •Beauty Parlour •Cyber Cafe <p>Kalyani Card Scheme:</p> <p>For meeting working capital credit</p> |

⁵¹ <http://www.rdccb.com/term-deposit>

⁵² <http://vijayabank.com/Loans-and-Advances/Special-Schemes-for-Woman>

| | | | |
|-----|----------------|-----------------------------------|--|
| | | | <p>requirement of allied agricultural activities/ misc farm/non- farm activities either singly or in combination with other activities. The literate/illiterate women dwelling in rural / semi-urban areas who have attained the age of majority are eligible under the Scheme.</p> <p>Mahila Sashaktikaran Abhiyan</p> <p>Under this scheme, concessions are given,</p> <ul style="list-style-type: none"> • Interest rate to be relaxed by 0.25% in Non-Priority Sector Advances and 0.50% in Priority Sector advances • Margin to be reduced to 10%, wherever the margin requirement is more than 10% • Waiver of 50% upfront fee.⁵³ |
| 12. | Bank Of Baroda | Akshaya Mahila Arthik Sahay Yojna | Provides financial assistance for those into retail trade and agricultural activities. ⁵⁴ |
| 13. | Dena Bank | Dena Shakti Scheme for Women | It covers agriculture and allied activities, small enterprises (direct and indirect Finance), micro and small (manufacturing) enterprises, micro and small (service) enterprises which include small road and water transport operators, small business professional and all other service |

⁵³ <https://www.pnbindia.in/En/ui/Content.aspx?Id=302>

⁵⁴ <http://www.supportbiz.com/articles/managing-growth/bank-schemes-solely-women-entrepreneurs.html>

| | | | |
|-----|---------------------|----------------------|--|
| | | | enterprises, retail trade, micro credit, education and the housing sectors. ⁵⁵ |
| 14. | State Bank Of India | HER GHAR (Home Loan) | To avail this loan scheme with 10.10 % rate of interest, the woman should be the sole applicant or first co-applicant of Home Loan And the property proposed to be financed should be either in the sole name of the woman borrower or she should be the first owner in case of joint ownership. ⁵⁶ |

1.21 BANK LOANS FOR FEMALE

Table – 1.21.1

A Table Showing Women Centric Bank Loans

| Sr. No. | Name of Bank | Name of the loan Scheme For Female | Details |
|---------|--------------|------------------------------------|--|
| 1. | Andhra Bank | AB Vanitha Vahan | AB Vanitha Vahan Scheme is mainly for Salaried women who are permanently employed, professional and self-employed having an income proof. As the name indicates this scheme is open exclusively to women for purchasing new four wheelers / two wheelers as well as on second sale. Interest rate is as applicable on the date of loan with 0.50% concession in rate of interest for prompt payment. No processing charges and administrative charges is applicable |

⁵⁵ <http://www.supportbiz.com/articles/managing-growth/bank-schemes-solely-women-entrepreneurs.html>

⁵⁶ <http://www.sbi.co.in/portal/web/personal-banking/her-ghar>

| | | | |
|----|-----------------------|------------------------------|---|
| 2. | Bank of India | Star Mahila Gold Loan Scheme | Star Mahila Gold Loan Scheme is for purchase of Gold ornaments, and Gold coins of Bank of India. This scheme mainly targets the group of Resident Indian Women, working or non working, between 18 year and 60 years of age. Working women that is, Women permanently employed in Central/State Govt., Scheduled Banks, Teachers of Government, Aided Institutions or include professionals like Doctors, CAs, and Chartered Engineers and so on. Non Working Women which includes not having income proof, Spouse and other close relative who satisfy income criteria to join as co-borrower. |
| 3. | Canara Bank | Can Mahila | This loan is to meet the financial needs of women such as any personal financial needs, to buy house hold articles, gold, jewellery, computers and so on. This scheme was discontinued with effect from 01.01.2009. For the existing customer with interest rate of 14.50%. |
| 4. | Central Bank of India | Cent Kalyani | This is a scheme launched to benefit women entrepreneurs and women professionals by offering financial assistance for economic pursuits in Industry, Agricultural and Allied Activities, Business or Profession. Credit facilities are available for Women Entrepreneurs for the small business entrepreneurs who intend to provide service such as setting up a small canteen, mobile restaurant, circulating library etc. |

| | | | |
|----|----------------------|---|---|
| 5. | Karur Vysya Bank | KVB Mahila Swarna Loan | <p>Bank introduced instalment loan to working women within the age of 18-50 yrs, permanently employed in Central or State Govt. offices, Public Sector undertakings, reputed Public & Pvt. Ltd companies, Teachers, Lecturers, Professors and employees of schools Colleges and Universities and other reputed institutions for purchase of gold, diamond ornaments, silver wares.</p> <p>Guarantee may be given by the husband of the borrower. In case husband is not there, guarantee from father or any other earning member of the family or third party guarantee should be obtained.</p> |
| 6. | UCO Bank | Nari Sakthi | <p>This scheme is to provide financial assistance to salaried women. Concession is offered on interest and the repayment can be made in 5years in equated monthly instalments.</p> <p>Loan was given on clean basis with two guarantors including that of Spouse, Nominee of Provident fund or Gratuity. One guarantor other than spouse may be waived if additional liquid security is provided up to 40% of the loan amount. The rate of Interest is 12.50% p.a. The loan amount with interest was repayable in 60 equated monthly instalments but one year before retirement. Service Charge 1% or minimum Rs.500 was also applicable.</p> |
| 7. | United Bank Of India | United Nari Samman Yojana ⁵⁷ | <p>United Bank of India had brought a special loan scheme to cater to all personal financial needs of women who is either a salaried person or a</p> |

⁵⁷ <http://www.webindia123.com/finance/loan.htm>

| | | | |
|----|---------------|------------------------------|--|
| | | | <p>self-employed or professional. This Scheme was mainly for buying gold ornaments, diamonds, precious stones, purchase of consumer durables, household goods etc. And also to meet the expenses of wedding, domestic trip and other personal expenses.</p> <p>Quantum of loan given is minimum Rs.0.10 lakhs and Maximum Rs.0.50 lakhs (may be extended upto Rs.1.00 Lakhs in deserving cases), subject to the condition that the total deductions shall not exceed 60% of borrower-customer's gross salary. Rate of Interest with effect from 09.04.2007 was 14.00% p.a.</p> |
| 8. | Bank Of India | Star Home Loan ⁵⁸ | <p>It provides loans to purchase a Plot for construction of a House, flat, as well as for renovation and repair loan amount is Rs.500 lacs and repayment ranges up to 30 years, with reasonable margin and nominal processing charges. There are no commitment and administrative charges</p> <p>The loan is available at very competitive rates of interest, currently available in the industry.</p> <p>Interest was calculated on daily balance basis which is of great advantage to customer as it results in lower interest amount.</p> |

⁵⁸ <http://www.bankofindia.co.in/english/homeloan.aspx>