GOVERNMENT DEGREE COLLEGE – KOLLAPUR
NAGARKURNOOL DISTRICT

Affiliated to Palamuru University
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OF COMMERECE DEPARTMENT

JIGNASA- STUDENT STUDY PROJECT

NAME OF THE TITLE

"ONLINE BANKING SYSTEM"

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STUDENT STUDY PROJECT

JIGNASA STUDENT STUDY PROJECT

ONLINE BANKING SYSTEM
BY

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GOVT. DEGREE COLLEGE – KOLLAPUR
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BANKING SYSTEM IN INDIA

- In India the banks and banking have been divided in different groups. Each group has their own benefits and limitations in their operations. They have their own dedicated target market. Some are concentrated their work in rural sector while others in both rural as well as urban. Most of them are only catering in cities and major towns.

Definition of a Bank

- A bank is a financial institution which performs the deposit and lending function. A bank allows a person with excess money (Saver) to deposit his money in the bank and earns an interest rate. Similarly, the bank lends to a person who needs money (investor/borrower) at an interest rate. Thus, the banks act as an intermediary between the saver and the borrower.
- The bank usually takes a deposit from the public at a much lower rate called deposit rate and lends the money to the borrower at a higher interest rate called lending rate.
- The difference between the deposit and lending rate is called ‘net interest spread’, and the interest spread constitutes the banks income.

- *Financial Intermediation*
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- *The process of taking funds from the depositor and then lending them out to a borrower is known as Financial Intermediation. Through the process of Financial Intermediation, banks transform assets into liabilities. Thus, promoting economic growth by channelling funds from those who have surplus money to those who do not have desired money to carry out productive investment.*
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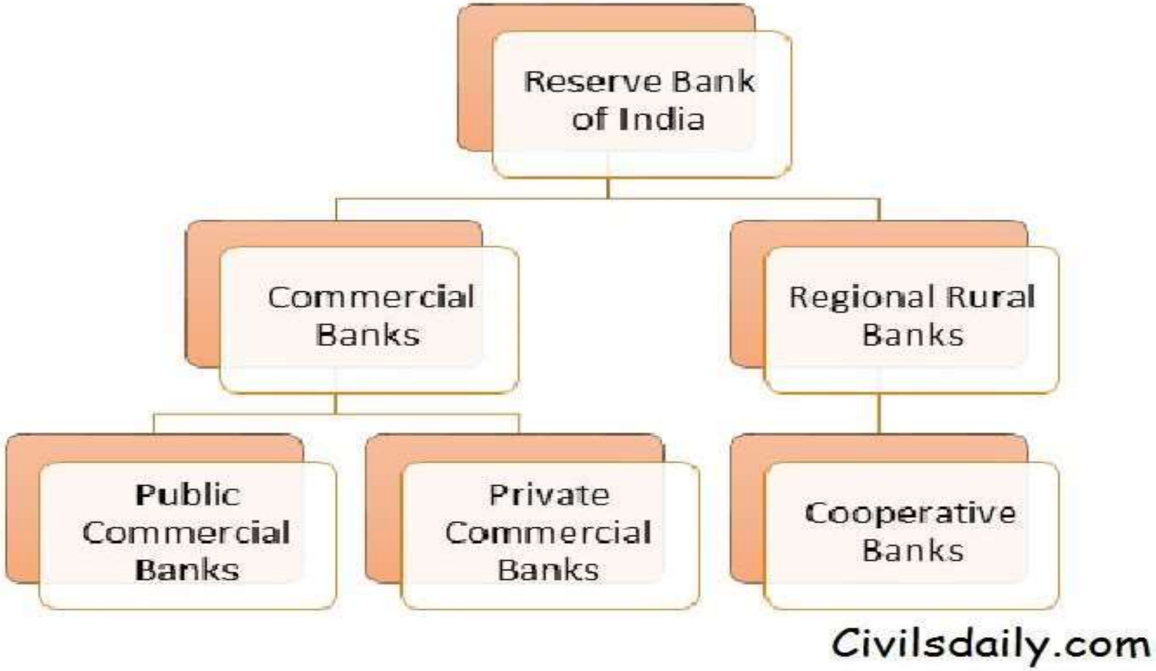
- *The bank also acts as a risk mitigator by allowing savers to deposit their money safely (reducing the risk of theft, robbery) and also earns interest on the same deposit. Bank provides services like saving account deposits and demand deposits which allow savers to withdraw money on an immediate basis thus, providing liquidity (which is as good as holding cash) with security.*

TYPES



Reserve Bank of India
Commercial Banks
Regional Rural Banks
Public Commercial Banks
Private Commercial Banks
Cooperative Banks
Civilsdaily.com

Types of Banks in India

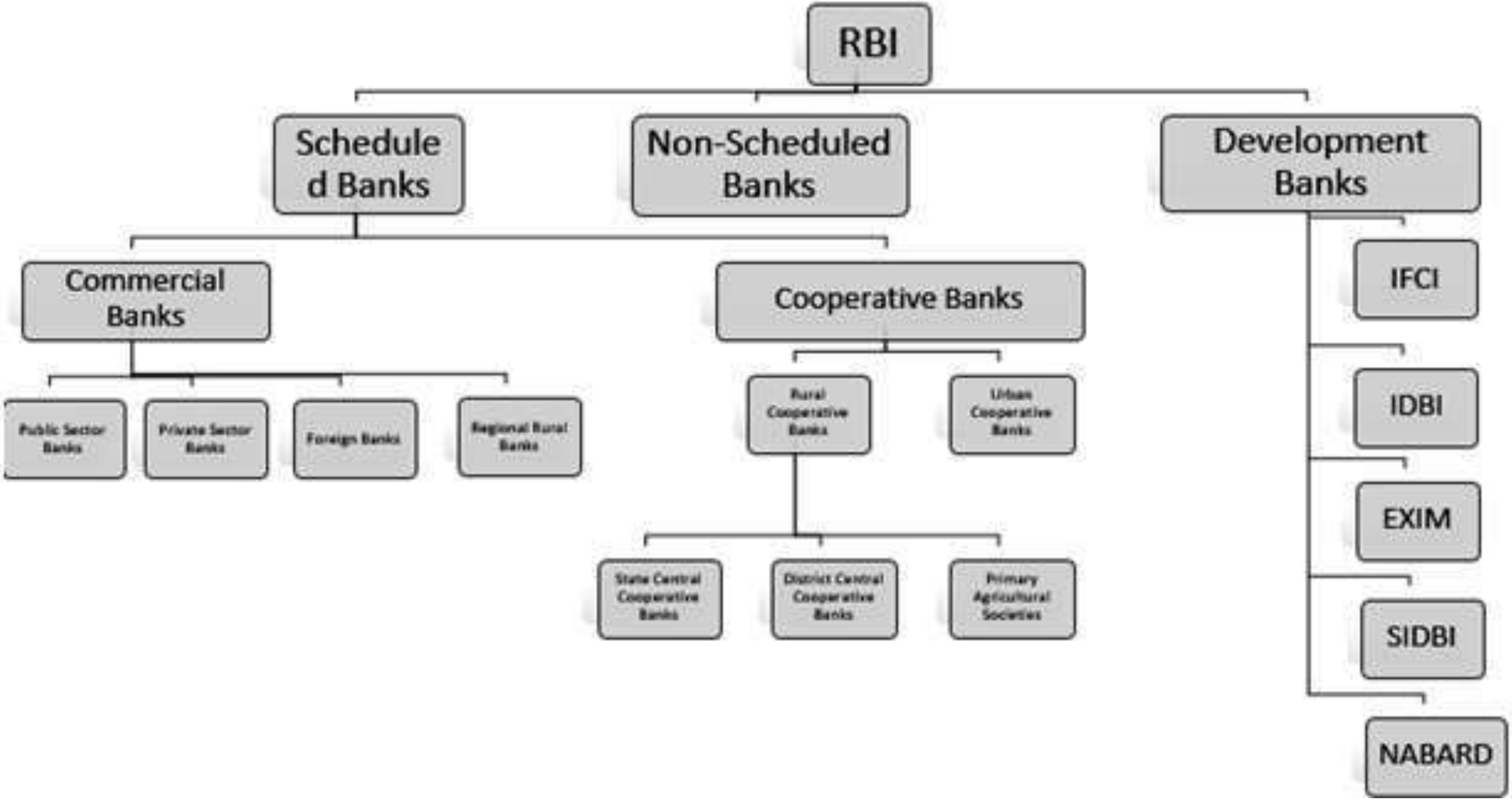
- Central Bank.
- Cooperative Banks.
- Commercial Banks.
- Regional Rural Banks (RRB)
- Local Area Banks (LAB)
- Specialized Banks.
- Small Finance Banks.
- Payments Banks.

Central Banking

- ***The Reserve Bank of India (RBI) is India's central bank, also known as the banker's bank. The RBI controls the monetary and other banking policies of the Indian government. The Reserve Bank of India (RBI) was established on April 1, 1935, in accordance with the Reserve Bank of India Act, 1934.***

Structure of the Indian Banking System

- Reserve Bank of India is the central bank of the country and regulates the banking system of India. The structure of the banking system of India can be broadly divided into scheduled banks, non-scheduled banks and development banks.
- Banks that are included in the second schedule of the Reserve Bank of India Act, 1934 are considered to be scheduled banks.
- All scheduled banks enjoy the following facilities:
- Such a bank becomes eligible for debts/loans on bank rate from the RBI
- Such a bank automatically acquires the membership of a clearing house.
- All banks which are not included in the second section of the Reserve Bank of India Act, 1934 are **Non-scheduled Banks**. They are not eligible to borrow from the RBI for normal banking purposes except for emergencies.
- Scheduled banks are further divided into commercial and cooperative banks.


RBI
Scheduled Banks
Non-Scheduled Banks
Development Banks
Commercial Banks
Cooperative Banks
Public Sector Banks
Private Sector Banks
Foreign Banks
Regional Rural Banks
Rural Cooperative Banks
Urban Cooperative Banks
State Central Cooperative Banks
District Central Cooperative Banks
Primary Agricultural Societies
IFCI
IDBI
EXIM
SIDBI
NABARD

Rural Finance

- Rural Finance refers to raising and accumulating funds and lending them to rural people, including farmers, to enable them to run their socio-economic activities in the rural areas. Rural finance comprises formal and informal financial institutions, small and large, that provide small-size financial services to the rural poor, as well as larger size financial services to agro-processing and other small and medium rural enterprises. Rural finance also covers a wide array of micro-finance institutions (MFIs), ranging from indigenous rotating savings and credit associations and financial co-operatives to rural banks and agricultural development banks. Rural finance is a vital tool in poverty reduction and rural development. It plays a catalytic role in bringing together the elements of production for increased output and improvement of the recipients' resources and livelihood in rural areas
- Although the supply of finance to rural areas is limited now and there is a general imbalance between supply and demand in rural capital markets at present, buyers and sellers of financial assets did exist in rural economies in the past. The market makers/intermediaries in rural financial markets are rural individuals, households, and farm and non-farm enterprises. Such classification of rural finance markets is based on the specific sources of funds, which vary widely in organisation, management, terms and conditions and lender-borrower relationships.

Acts governing the functioning of Indian banking system

- *The Indian banking sector is regulated by the Reserve Bank of India Act 1934 (RBI Act) and the Banking Regulation Act 1949 (BR Act). The Reserve Bank of India (RBI), India's central bank, issues various guidelines, notifications and policies from time to time to regulate the banking sector. In addition, the Foreign Exchange Management Act 1999 (FEMA) regulates cross-border exchange transactions by Indian entities, including banks*.

Functioning of Indian banking system

- **Primary functions – being primary are also called banking functions.**

- **Secondary Functions**

Accepting Of Deposits

- A very basic yet important function of all the commercial banks is mobilising public funds, providing safe custody of savings and interest on the savings to depositors. Bank accepts different types of deposits from the public such as:
- Saving Deposits: encourages saving habits among the public. It is suitable for salary and wage earners. The rate of interest is low. There is no restriction on the number and amount of withdrawals. The account for saving deposits can be opened in a single name or in joint names. The depositors just need to maintain minimum balance which varies across different banks. Also, Bank provides ATM cum debit card, cheque book, and Internet banking facility. Candidates can know about the Types of Cheques at the linked page.
- Fixed Deposits: Also known as Term Deposits. Money is deposited for a fixed tenure. No withdrawal money during this period allowed. In case depositors withdraw before maturity, banks levy a penalty for premature withdrawal. As a lump-sum amount is paid at one time for a specific period, the rate of interest is high but varies with the period of deposit.
- Current Deposits: They are opened by businessmen. The account holders get an overdraft facility on this account. These deposits act as a short term loan to meet urgent needs. Bank charges a high-interest rate along with the charges for overdraft facility in order to maintain a reserve for unknown demands for the overdraft.
- Recurring Deposits: A certain sum of money is deposited in the bank at a regular interval. Money can be withdrawn only after the expiry of a certain period. A higher rate of interest is paid on recurring deposits as it provides a benefit of compounded rate of interest and enables depositors to collect a big sum of money. This type of account is operated by salaried persons and petty traders.

Negotiable Instrument Meaning

In India, the Negotiable Instruments Act, 1881 is responsible for governing NIs. This law defines these instruments and also deals with each type of them individually.

It governs the use of cheques, promissory notes, and bills of exchange. There are other customary payment methods similar to NIs in India (like Hundis) but this law does not cover them.

BANKING REGULATION ACT 1949

- **1. Short title, extent and commencement**
- (1) This Act may be called the Banking 2[Regulation] Act, 1949.
- 3[(2) It extends to the whole of India 4[* * *]
- (3) It shall come into force on such date5 as the Central Government may, by notification in the
- Official Gazette, appoint in this behalf.

Bank Financial Statements

- Report of Condition – Balance Sheet
- Report of Income – Income Statement
- Sources and Uses of Funds Statement
- Statement of Stockholders' Equity

THANK
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THANK YOU

FOR TODAY