CS Foundation Course

(e-bulletin for Foundation Programme Students)

THE INSTITUTE OF
Company Secretaries of India
भारतीय कम्पनी सचिव संस्थान
IN PURSUIT OF PROFESSIONAL EXCELLENCE
Statutory body under an Act of Parliament
(Under the jurisdiction of Ministry of Corporate Affairs)

APRIL 2021

Message from the President

"If you are going to achieve excellence in big things, you develop the habit in little matters. Excellence is not an exception, it is a prevailing attitude."

- Colin Powell

Dear Students,

The celebrations of the festival of colours in the month gone by, giving us moments of joy and familial togetherness and leaving us thoroughly exhilarated, have filled in each one of us a new sense of zeal and enthusiasm. It is this fervour enthused that has given us a new lease of life to move forward towards the achievement of our goals and missions with a renewed vigour in our heart and a bounce in our step.

Friends, having been a part of this profession for quite a few decades, even with all the uncertainties of result attached, reminiscing the journey undertaken in student life fills my heart with great delight leaving me with a big smile. The smell of new books at the beginning of each Programme, the hunt for Referencers, the countless discussions on the most recent happenings and incidents and not to mention the planning for future, the deliberation to vie the employment route or pursue practice...

What was most intriguing about being a student of a professional course was the fact that any and every interaction with senior members brought with it a common thought; the thought that no matter what the achievements, no matter which side we pursued from amongst employment or practice, and no matter our core field and area of activity; learning and attainment of knowledge must never cease or come to a halt.

To be truthful, while the hunger for knowledge must never be satiated to the fullest, yet at the same time, it must be fed with information, understanding and awareness in every way possible. It is for this very satisfaction and fulfilment of the learning desires of our members and students that the Institute of Company Secretaries of India has undertaken multifarious initiatives. Given the fact that the students, you all, will be the future torchbearers of not just the Institute but of good governance in the India Inc. as well as the entire nation, dedicated initiatives are being launched to not just have concrete interactions and deliberations but have platforms for resolution of both, your academic queries as well as grievances that may arise.

It gives me great pleasure to share that the Institute has launched two initiatives, i.e., the *'ICSI Samadhan Diwas'* and the *'Bi-weekly Academic Interactions'* for our students. While the first initiative intends to resolve the grievances pertaining to Training and other aspects, the Bi-weekly interactions shall focus on clarification of doubts by Academic Experts and Subject Officers.

While the Institute is undertaking all steps possible to enrich the knowledge base of its students, I would like to suggest to all the students that whatever you wish to do in your academic and professional life; aim for excellence, for holistic development is possible only when one aims for attaining excellence in academic and professional pursuits.

You should entrench excellence not only for performing a given task; rather excellence should be an integral element of your attitude. As it is said that attitude determines altitude, and you can attain higher altitude in your academic and professional endeavours when you embrace excellence.

So keep treading on the trajectory of wisdom leading towards excellence !

Happy reading !!! Happy Learning !!!

With warm regards,

(CS Nagendra D. Rao)
President
The Institute of Company Secretaries of India

Academic Guidance

BASICS OF INDIAN COMMERCIAL BANKS*

Introduction

Bank is a financial institution that performs several functions like accepting deposits, lending loans, agriculture and rural development etc. Bank plays an important role in the economic development of the country. It is necessary to encourage people to deposit their surplus funds with the banks. These funds are used -for providing loans to the industries thereby making productive investments. A bank is a financial intermediary that accepts deposits and channels those deposits into lending activities. They are the active players in financial market. The essential role of a bank is to connect those who have capital with those who seek capital. After the post economic liberalization and globalization, there has been a significant impact on the banking industry.

Commercial banks are playing a vital role in the economic development of India. Post nationalisation of banks in 1969, the commercial banks have witnessed a significant improvement in the business with huge customer base and expansion of the initial structure. Commercial banks in India are the backbone of all major economic activities in the country, whether it is for the citizens to keep their hard-earned money safely or get loans whenever they need funds for important things like a home, wedding, a car or for business. It won't be an equivalence to say that banks and businesses run hand in hand, as without adequate credit support, businesses find it hard to flourish, and vice versa. Commercial Banks are regulated under the Banking Regulation Act, 1949 and their business model is designed to make profit. Their primary function is to accept deposits and grant loans to the general public, corporate and government.

Functions of Commercial Banks

Functions of commercial banks can be broadly classified into primary and secondary functions. Primary functions of commercial banks include the following:

A. Primary Functions

1. **Accepting Deposits**: This includes mustering public investment and providing security to the collected funds. They also offer interests on the deposited amount which in turn encourages people to invest in banks. The deposits are classified into Savings, Fixed, Current and Recurring. The important features of the mentioned deposit are as under:

   a) Saving Deposits

   - Appropriate for those receiving remuneration and wages.
   - These have a low fare of interest.

* *Dr. Akinchan Buddhodev Sinha, Deputy Director, The ICSI.*

Views expressed in the Article are the sole expression of the Author and may not express the views of the Institute.

- Unlimited withdrawals can take place.
- The account can have any – a single holder or a joint holder.
- A minimum amount always needs to remain deposited in the bank account – which is different for different banks.
- Promotes a culture of saving amongst the bank users.
- Withdrawal, additions, or transactions may be made through ATM Debit cards, several types of cheque books, or internet banking provisions.

b) Fixed Deposits

- These are also known as 'Term Deposits'.
- An amount is deposited for a predetermined fixed term.
- These have a high fare of interest, which also varies with the duration of the fixed term for which the amount is deposited.
- Withdrawals are not permitted during this term.
- When withdrawal of deposits takes place before the term is over, there is a penalty fine sanctioned which is to be submitted to the bank.

c) Current Deposits

- Appropriate for business people and entrepreneurs.
- There is a provision of overdraft to those holding these accounts.
- Deposits act as loans for a short period of time in urgent situations.
- Bank imposes a high rate of interest added to which are charges of the overdraft provision.
- Helps in maintaining a pool of assets which further act as a resource for overdrafts.

d) Recurring Deposits

- Appropriate for people receiving remuneration and trivial traders.
- Deposits are made at consistent intervals.
- Withdrawal of deposits can take place only after a certain interval of time.
- Recurring deposits have a very high rate of interest due to the presence of compounded interest rate.
- Recurring deposits makes possible the collection of large amounts of assets deposited.

2. Provisions of Loan, Down Payments and Deposits

This includes the usage of deposited amounts as loan payments made to those members who applied for it. The various forms of loans and advances are- Bank Overdrafts, Cash Credits, Loans and Discounting of Bills of Exchange. The key facets of various forms of advances are as under:

a) Bank Overdrafts

- ❖ This provision is for bank account holders.
- ❖ It permits the withdrawal of amounts more than that present in the account, however only to a certain extent.
- ❖ There is a provision of the overdraft facility offered against a collateral asset.
- ❖ The interest paid depends on the duration term of the loan along with the amount.

b) Cash Credits

- ❖ Appropriate for both – account holders and non-account holders in the bank.
- ❖ This is a provision for loans up to a certain extent for a short duration of time.
- ❖ The loan is passed against a collateral asset or property which acts as assurance.
- ❖ Interest is only on the extra amount withdrawn.
- ❖ Cash credit offers a larger loan when compared to an overdraft.

c) Loans

- ❖ Loans are lent to bank associates for a duration of about 1-5 years or a longer-term against a collateral asset.
- ❖ The debtor can either repay the entire loan amount at once or pay it in small installments over a fixed duration of time.
- ❖ Interest is charged on the sanctioned amount of loan which is comparatively less to the fare decided for overdrafts and credit facilities.

d) Discounting of Bills of Exchange

- ❖ It provide loan for a short duration.
- ❖ The dealer discounts the final charge or bill from the bank in return for a particular fee.
- ❖ The bank pays the amount by discounting or buying the bill.
- ❖ The bank cuts the discount charges while paying the bill on behalf of the buyer.
- ❖ Later, the bank makes the buyer look into the bill payment.

B. Secondary Functions

These include two major roles:

1. Agency functions of a bank

Banks are the representatives, negotiators, and hence the agents of their members. Due to this, they have to perform several functions which include:

i) ***Transfer of Funds***: This occurs from one bank branch to the other or during any transactions.

ii) ***Periodic Accumulation***: Gathering remunerations, wages, pensions, etc on behalf of their associates.

iii) ***Periodic Payments***: Payment of rent and various other bills and expenditures on behalf of their client.

iv) ***Cheque Collection***: Accumulation of deposits from exchange bills via the clearing section of its members.

v) ***Portfolio Management***: Buying and selling of associate shares or debt instruments and hence portfolio debiting or crediting.

vi) ***Other Functions***: These include basic roles such as trustee, administrator, advisors, etc.

2. Utility functions of a bank

These include the following:

i) Managing project reports and details.

ii) Deciding and venturing into foreign exchanges by handling Demat accounts.

iii) Issuing credit letters, cheques, etc.

iv) Organizing and participating in social welfare programs.

v) Securing important documents, valuables, and assets any provision of lockers.

vi) Underwriting of shares and promise pay such as debentures.

vii) Providing guarantee on its visitor's behalf.

Classification of Commercial Banks

Commercial banks can be classified into four types-

1. *Public Sector Banks* : Public Sector Banks (PSBs) are a major type of bank in India, where a majority stake (i.e. more than 50%) is held by the government. The shares of these banks are listed on stock exchanges.
2. *Private Sector Banks* : Private Sector Banks refer to those banks where most of the capital is in private hands. In India, there are two types of private sector banks viz. Old Private Sector Banks and New Private Sector Banks. Old private sector banks are those which existed in India at the time of nationalization of major banks but were not nationalized due to their small size or some other reason. After the banking reforms, these banks got license to continue and have existed in India along with new private banks and government banks.
3. *Foreign Banks* : A foreign bank is a type of International Bank that is obligated to follow the regulations of both the home and host countries. ... Foreign banks are defined as banks from a foreign country working in India through branches. RBI has provided rules and guidelines for a foreign bank to establish and operate in India.
4. *Regional Rural Banks* : Regional Rural Banks (RRBs) are financial institutions which ensure adequate credit for agriculture and other rural sectors. Regional Rural Banks were set up on the basis of the recommendations of the Narasimham Working Group (1975), and after the legislations of the Regional Rural Banks Act, 1976.

India has a total of 12 public sector banks, 21 private sector banks, 56 Regional Rural Banks (RRBs) and 45 foreign banks. The list of public sector banks, private sector banks, Regional Rural Banks and Foreign banks are provided in exhibits 1,2,3 and 4 respectively.

Exhibit 1

List of Public Sector Banks in India

Bank Name	**Merged Banks**	**Establishment**	**Headquarter**
Bank of Baroda	• Vijaya Bank • Dena Bank	1908	Vadodara, Gujarat
Bank of India		1906	Mumbai, Maharashtra
Bank of Maharashtra		1935	Pune, Maharashtra
Canara Bank	• Syndicate Bank	1906	Bengaluru, Karnataka
Central Bank of India		1911	Mumbai, Maharashtra
Indian Bank	• Allahabad Bank	1907	Chennai, Tamil Nadu
Indian Overseas Bank		1937	Chennai, Tamil Nadu
Punjab and Sind Bank		1908	New Delhi
Punjab National Bank	• Oriental Bank of Commerce • United Bank of India	1894	New Delhi
State Bank of India	• State Bank of Bikaner & Jaipur • State Bank of Hyderabad • State Bank of Indore • State Bank of Mysore • State Bank of Patiala • State Bank of Saurashtra • State Bank of Travancore • Bhartiya Mahila Bank	1955	Mumbai, Maharashtra
UCO Bank		1943	Kolkata, West Bengal
Union Bank of India	• Andhra Bank • Corporation Bank	1919	Mumbai, Maharashtra

Exhibit 2

List of Private Sector Banks in India

Bank Name	Establishment	Headquarter
Axis Bank	1993	Mumbai, Maharashtra
Bandhan Bank	2015	Kolkata, West Bengal
CSB Bank	1920	Thrissur, Kerala
City Union Bank	1904	Tamil Nadu
DCB Bank (formerly Development Credit Bank)	1930	Mumbai, Maharashtra
Dhanlaxmi Bank	1927	Thrissur, Kerala
Federal Bank	1931	Aluva, Kerala
HDFC Bank	1994	Mumbai, Maharashtra
ICICI Bank	1994	Mumbai, Maharashtra
IndusInd Bank	1994	Mumbai, Maharashtra
IDFC First Bank	2015	Mumbai, Maharashtra
Jammu & Kashmir Bank	1938	Srinagar, Jammu and Kashmir
Karnataka Bank	1924	Mangaluru, Karnataka
Karur Vysya Bank	1916	Karur, Tamil Nadu
Kotak Mahindra Bank	2003	Mumbai, Maharashtra
Nainital Bank	1922	Nainital, Uttarakhand
RBL Bank	1943	Mumbai, Maharashtra
South Indian Bank	1929	Thrissur, Kerala
Tamilnad Mercantile Bank	1921	Thoothukudi, Tamil Nadu
YES Bank	2004	Mumbai, Maharashtra
IDBI Bank	1964	Mumbai, Maharashtra

Exhibit 3

List of Regional Rural Banks (RRBs) in India

State	Name of RRB	Head Office
Andhra Pradesh	Andhra Pragati Grameen Bank	Kadapa
	Chaitanya Godavri Grameena Bank	Guntur
	Andhra Pradesh Grameen Vikas Bank	Kadapa
	Saptagiri Grameen Bank	Chittor
Arunachal Pradesh	Arunachal Pradesh Rural Bank	Naharlagun
Assam	Assam Gramin Vikash Bank	Guwahati
	Langpi Dehangi Rural Bank	Diphu
Bihar	Uttar Bihar Gramin Bank	Muzzaffarpur
	Bihar Gramin Bank	Patna
	Madhya Bihar Gramin Bank	Patna
Chhattisgarh	Chhattisgarh Rajya Gramin Bank	Raipur
Gujarat	Dena Gujarat Gramin Bank	Gandhinagar
	Saurashtra Gramin Bank	Rajkot
Haryana	Sarva Haryana Gramin Bank	Rohtak
Himachal Pradesh	Himachal Pradesh Gramin Bank	Mandi
Jammu and Kashmir	Ellaquai Dehati Bank	Srinagar
	J&K Grameen Bank	Jammu
Jharkhand	Vananchal Gramin Bank	Ranchi
	Jharkhand Gramin Bank	Ranchi
Karnataka	Pragathi Krishna Gramin Bank	Ballari
	Kaveri Gramin Bank	Mysuru
	Karnataka Vikas Grameena Bank	Dharwad
Kerala	Kerala Gramin Bank	Mallapuram
Madhya Pradesh	Narmada Jhabua Gramin Bank	Indore
	Central Madhya Pradesh Gramin Bank	Indore
	Madhyanchal Gramin Bank	Sagar
Maharashtra	Vidarbha Konkan Gramin Bank	Nagpur
	Maharashtra Gramin Bank	Aurangabad
Manipur	Manipur Rural Bank	Imphal
Meghalaya	Meghalaya Rural Bank	Shillong

Mizoram	Mizoram Rural Bank	Aizwal
Nagaland	Nagaland Rural Bank	Kohima
Odisha	Odisha Gramya Bank	Bhubaneshwar
	Utkal Grameen Bank	Bolangir
Puducherry	Puduvai Bharathiar Grama Bank	Puducherry
Punjab	Punjab Gramin Bank	Kapurthala
	Malwa Gramin Bank	Sangrur
	Sutlej Gramin Bank	Bhatinda
Rajasthan	Baroda Rajasthan Kshetriya Gramin Bank	Ajmer
	Rajasthan Marudhara Gramin Bank	Jodhpur
Tamil Nadu	Pallavan Grama Bank	Salem
	Pandyan Grama Bank	Virudhunagar
Telangana	Telangana Grameen Bank	Hyderabad
Tripura	Tripura Gramin Bank	Agartala
Uttar Pradesh	Gramin Bank of Aryavart	Lucknow
	Allahabad UP Gramin Bank	Banda
	Baroda Uttar Pradesh Gramin Bank	Raebareli
	Kashi Gomti Samyut Gramin Bank	Varanasi
	Sarva UP Gramin Bank	Meerut
	Prathama UP Gramin Bank	Moradabad
	Purvanchal Bank	Gorakhpur
Uttarakhand	Uttarakhand Gramin Bank	Dehradun
West Bengal	Bangiya Gramin Vikash Bank	Murshidabad
	Paschim Banga Gramin Bank	Howrah
	Uttarbanga Kshetriya Gramin Bank	Coochbehar

Exhibit 4

List of Foreign Banks in India

Sl. NO.	Foreign Sector Bank
1.	AB Bank limited
2.	Abu Dhabi Commercial Bank Ltd.
3.	American Express Banking Corp. (AEBC)
4.	ANZ Banking Group Ltd.
5.	Bank of America N.A.
6.	Bank of Bahrain & Kuwait BSC
7.	Barclays Bank Plc
8.	BNP PARIBAS
9.	Citibnak N.A.
10.	Cooperatieve Rabobank U.A.
11.	Credit Agricole corporate and Investment Bank
12.	Credit Suisse AG
13.	CTBC Bank Co. Ltd.
14.	DBS Bank India Ltd.
15.	Deutsche Bank AG
16.	Doha Bank
17.	Emirates NBD Bank (P.J.S.C)
18.	First ABU Dhabi Bank PJSC
19.	FirstRand Bank Ltd.
20.	Industrial and commercial Bank of China Ltd. (ICBC)
21.	Industrial Bank of Korea
22.	JP Morgan Chase Bank, N.A.

23.	JSC VTB Bank
24.	KEB Hana Bank
25.	Kookmin Bank
26.	Krung Thai Bank Public Company LTD
27.	Mashrebank psc
28.	Mizuho bank ltd.
29.	MUFG Bank Ltd.
30.	National Australia Bank (NAB)
31.	PT Bank Maybank Indonesia TBK
32.	Qatar National Bank Q P S C.
33.	Sberbank
34.	SBM Bank (India) Ltd.
35.	Shinhan Bank
36.	Societe Generale
37.	Sonali Bank Ltd.
38.	Standard Chartered Bank
39.	Sumitomo Mitsui Banking Corporation
40.	The Bank of Nova Scotia
41.	The Hongkong & Shanghai Banking Corporation Ltd.
42.	The Royal Bank of Scotland N V
43.	United overseas Bank limited
44.	Westpac Banking corporation
45.	Woori Bank

Performance of Indian Banks and Budget 2021 – Bouquet of Bonanzas

The Gross Non-Performing Advances (GNPA) ratio of Scheduled Commercial Banks (SCBs) decreased from 8.2% at the end of March 2020, to 7.5% at end-September 2020, whereas their restructured standard advances (RSA) ratio increased from 0.36% to 0.41% during the same period. The stressed advances (SA) ratio of SCBs decreased from 8.6% at March-end 2020 to 7.9% at end of September 2020.

The GNPA ratio of Public Sector Banks (PSBs) decreased from 10.25% at the end of March 2020, to 9.4% at September end and the stressed advances ratios decreased from 10.75% to 9.96% during the same period. Net NPA ratios also declined and stood at 2.1% for SCBs and 2.85% for PSBs as at the end of September 2020. Capital to risk-weighted asset ratio (CRAR) of SCBs increased from 14.7% to 15.8% between March 2020 and September 2020, on account of improvement of CRAR of both Public and Private sector banks.

Announcement of measures like allocation of INR 1500 Crore for a scheme relating to financial incentives for digital payments, to provide INR 20,000 Crore for recapitalisation of public sector banks and proposal to divest strategically stake in 2 public sector banks, other than IDBI Bank as part of disinvestment target for Financial Year 2022.

So the aforesaid picture, clearly tell about the promising future of banking sector in India as well as commercial banks too.

Way Forward

Thus, it may be opined that Indian banking sector and commercial banks especially are on the growth trajectory. With more and more population subscribing to the financial products offered by various commercial banks is an indication of growing financial inclusion and confidence on the commercial banks and banking system as a whole.

In light of the fact that global commercial banking is experiencing a tremendous growth and will grow at an astounding pace in near future. Further, the rise of small and medium enterprises, financial inclusion, expansion of bank network, increased spending on infrastructure, speedy implementation of projects and continuation of reforms are going to provide a fillip to the growth of Indian banking sector, thereby accelerating the growth of commercial banks too.

References

1. https://www.taxmann.com/budget-2021-22/budget-story/179/budget-2021-22-%E2%80%93-proposals-for-banking-sector-
2. https://indianmoney.com/articles/role-of-commercial-banks-in-the-economic-development-of-india
3. https://www.ijrar.org/papers/IJRAR19K3817.pdf
4. https://data-flair.training/blogs/functions-of-bank/
5. https://gradeup.co/list-of-banks-in-india-i
6. https://www.gktoday.in/gk/private-sector-banks-in-india/#:~:text=Private%20Sector%20Banks%20refer%20to,capital%20is%20in%20private%20hands.&text=Old%20private%20sector%20banks%20are,size%20or%20some%20other%20reason.
7. http://www.arthapedia.in/index.php?title=Regional_Rural_Banks

***

News from Region

NIRC

THE INSTITUTE OF
Company Secretaries of India
भारतीय कम्पनी सचिव संस्थान
IN PURSUIT OF PROFESSIONAL EXCELLENCE
Statutory body under an Act of Parliament
(Under the jurisdiction of Ministry of Corporate Affairs)

NORTHERN INDIA
REGIONAL COUNCIL

NIRC OF ICSI

Announces

Online Mock Test Series (2nd Edition)

(For Northern Region Students)

For

CS Executive Course

For the aspirants of CS Examinations June-2021

CS Executive Module – I & II		
S. No	Subject	Fee
1	Jurisprudence, Interpretation, & General Laws	Rs. 100/-
2	Company Law	Rs. 100/-
3	Setting up of Business Entities and Closure	Rs. 100/-
4	Tax Laws	Rs. 100/-
5	Corporate & Management Accounting	Rs. 100/-
6	Securities Laws & Capital Markets	Rs. 100/-
7	Financial & Strategic Management	Rs. 100/-
8	Economic, Business and Commercial Laws	Rs. 100/-
9	CS Executive Module 1 (All Subjects)	Rs. 400/-
10	CS Executive Module 2 (All Subjects)	Rs. 400/-

For Registration and Payment of Fee, please click below link

https://m.p-y.tm/icsineww

- Last Date of Registration is 30th April, 2021.
- Mock Test papers will be sent to registered participants through email only
- Students are required to upload the scanned copy of solved paper within 24 hours of receipt of mock test paper on their email IDs (separate link will be shared with the registered participants in due course).
- Fees once paid will not be refunded.
- Result of Mock Test will be shared with registered students individually on their email IDs.

Regards
CS Vimal Gupta
Chairman – NIRC-ICSI

-: For more details Contact :-

Mr. Vinay kr. Baisoya
Email–vinay.baisoya@icsi.edu; Contact No. 011-49343006 & 08375055357
Website – https://www.icsi.edu/niro/home/

Editorial Team

CS Alka Kapoor, Joint Secretary (SG)

CS Lakshmi Arun, Joint Director

CA Govind Agarwal, Assistant Director

Directorate of Academics

For views/suggestions/feedback please write to : ***academics@icsi.edu***