Unit Banking

As the name indicates, unit means one of single. Under unit banking system, an individual bank operates with a single office. According to Shapiro, Solomon and Whilt, “An independent unit bank is a corporation that operates single office and that is not related to other banks through either ownership or control”.

This unit banking system was actually originated and grew in USA.

Advantages of Unit Banking

Unit banking has the following advantages:

1. **Local Development:** As unit banking is stipulated to one particular area and office, it has the special knowledge of the local problems, services required by the people of that locality in a better manner.
2. **Promotes Regional Balance:** In this system of banking, the regional imbalances may be reduced to a great extent, as there will not be any transfer of funds from rural and backward areas to big industrial commercial centres.
3. **Easy Management:** As unit banking is confined to a particular area or locality, the management and supervision is much easier and more effective. It develops friendly and personal relations with the local customers. A big bank tends to become more and more impersonal in its dealings.
4. **Initiative in Banking Business:** Unit banks possess full knowledge and a greater involvement in the local problems. So, they take initiative to tackle these problems through financial help.
5. **No Inefficient Branches:** Under unit banking system, weak and inefficient branches are automatically eliminated. No protection is provided to such banks.

Disadvantages of Unit Banking

The unit banking system sustains the following disadvantages:

1. **No Distribution of Risks:** Under unit banking, the bank operations are confined to a locality. This has a limited possibility of distribution and diversification of risks in various areas and industries. The unit banks fail and collapse when those industries where they depend upon fail.
2. **Unable to Face Crisis:** As the unit banks resources are limited, they are restricted to face financial risks or crisis. They may not be in a position to meet a sudden financial crunch.
3. **No Banking Development in Backward Areas:** Unit banks have limited resources and cannot afford to open uneconomic banking business in backward areas. That is why they remain unbanked.

4. **Local Pressures:** Since unit banking is stipulated and highly localised in their operations of the business, local pressures and interferences may disrupt their regular operations.
5. **Unwanted Competition:** As unit banks are run by different managements, this results in unexpected and undesirable competition among different unit banks.

Branch Banking

Under branch banking system, a big bank as a single institution and under single ownership operates through a network of branches spread all over the country. The banking system of England is the best example of the branch banking system, wherein each commercial bank has a network of branches spread throughout the country.

Advantages of Branch Banking System

1. **Economies of Large Scale:** Branch banking system enjoys the advantages of economies of large-scale operations with greater applicability of the division of labour. The branch banks being big organisations, are in better position to apply effectively the principles of specialisation by employing better personnel on better salaries, engaging right in right place, thus making management more efficient.
2. **Economy of Cash Reserves:** A branch bank can afford to hold a lower cash reserve in each branch office, for one branch office can draw on another. It is not easy for an unit bank to draw on another unit bank.
3. **Economy of Costs:** Branch banking has the advantage of effecting remittances of funds from one another with greater ease and at a lesser cost than unit banking, for interoffice indebtedness can be far more easily adjusted.
4. **Greater Safety and Liquidity:** Branch banking also offers a wide scope for the selection of diverse securities and varied investments, so that a higher degree of safety and liquidity can be maintained.
5. **Easy and Increased Mobility of Funds:** Branch banks increase the mobility of funds from one region to another which brings uniformity of interest rates in different locations. In branch banking system, the bankers generally transfer the deposit funds from the branches situated in those localities where demand for money is relatively low. Therefore, the rate of interest is less to those branches situated in localities where the demand for money is relatively high, and hence the rate of interest is also high.
6. **Provision of Training the Personnel:** The branch banking provides the best training ground for the personnel. A person may be trained in a small branch where the pressure of work is less and he may be transferred to an active branch.

Disadvantages of Branch Banking

1. **Greater Chances of Mismanagement:** Branch banking presents the difficulty of efficient management, supervision and control. Proper supervision and scrutiny becomes more difficult as the bank becomes more and more unwieldy.
2. **Delay in Decision-making:** The system of branch banking also suffers from red-tapism and delay on account of the inadequate authority of the branch managers. The applications of the big credits have to be referred to the head office by the branch manager. This causes delay in decision-making.
3. **Expensive:** According to Prof. Basu, branch banking is very expensive because with the operating of too many branches, establishment and maintenance charges of the branches are bound to be high, and as a result, profits may shrink.
4. **Concentration of Monopoly:** There is an argument about the branch banking that branch banking creates some sort of monopoly power. Such a monopoly power in the hands of a few big bankers is a source of danger to the community, whose goal is a socialistic pattern of society.
5. **Lack of Personal Contact:** The branch bank is a large organisation in size, hence it tends to become more and more impersonal in its dealings. The general manger has hardly any personal contact with the local people or the staff of the different branches.

Commercial Banks

The commercial banks are joint-stock companies dealing in money and credit. A commercial bank may be defined as a financial institution that accepts cheques and deposits of money from the public, and also uses the money with it for lending. Its essential function is to make use of these deposits for lending to others.

Commercial banks usually give short-term loans and advances. They occupy a dominant place in the money market. They, as a matter of fact, form the biggest component in the banking structure of any country. The commercial banks in India are governed by the Indian Banking Regulations Act, 1949 brought up-to-date which include additional rules thereto.

Commercial Banking in India

In India, however, there is a mixed banking system. Prior to July 1969, all the commercial banks; 73 scheduled and 26 non-scheduled banks, except the State Bank of India and its subsidiaries, were under the control of the private sector. On 19 July, 1969, however, 14 major commercial banks with the deposits of over 50 crore were nationalised. In April 1980, another 6 commercial banks of high standing were taken over by the government.

At present, there are 20 nationalised banks, plus the State Bank of India and its 7 subsidiaries, (now 19 banks as the New Bank of India was later merged with PNB) constituting public sector banking which controls over 90 per cent of the banking business in our country.

Functions of Commercial Banks

Banks play a very crucial role in the economic life of every nation. They have control over a greater part of the supply of money in circulation.

Commercial banks perform several functions, which may be classified into two categories:

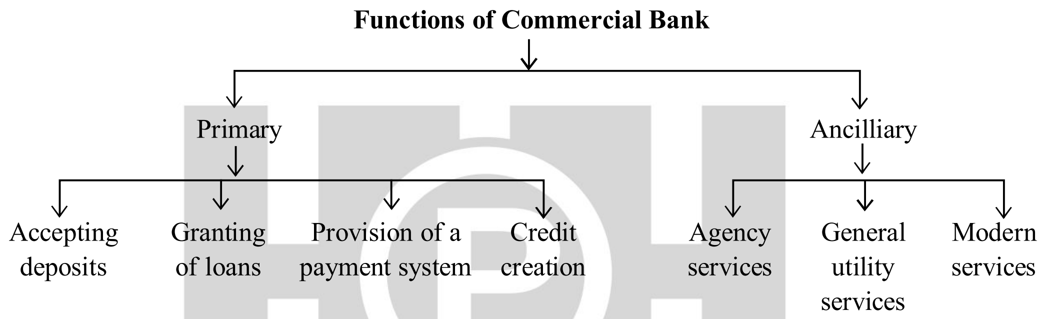
(a) Primary Functions, and

(b) Secondary Functions

(a) Primary Functions

The primary and main function of a commercial bank is the receipt of deposits repayable on demand and creating credit to the merchants and manufacturers for their productive purposes.

The functions of commercial bank are given below:



Accepting of Deposits From the Public

Accepting deposits is the primary function of a commercial bank. By receiving deposits from the public, commercial banks mobilise the savings of the household sector.

Banks generally accept the following types of deposits:

1. Current Accounts
2. Savings Accounts
3. Fixed or Time Deposits
4. Recurring Deposits
5. Home Safe Deposits

(i) Current or Demand Deposits: Deposits in current account are withdrawable by the depositors by cheques for any amount to the extent of the balance at their credit, at anytime without any prior notice. Deposits of current account are, thus, known as demand deposits. Such accounts are maintained by the commercial and industrial firms and businessmen, as the cheque system is the most convenient and very safe mode of payment.

(ii) Savings Deposits: Savings accounts are maintained for encouraging savings in households. Withdrawals of deposits from savings accounts are not freely allowed as in the case of current accounts. There are some restrictions on the amount to be withdrawn at a time, and also on the number of withdrawals made during a period. Indian commercial banks have, however, relaxed these rules of savings accounts to a certain extent in the recent times. Banks pay a rate of interest on the savings account deposits as prescribed by the Central Bank.

(iii) **Fixed or Time Deposits:** Deposits in fixed account are called time deposits. In the normal course, deposits cannot be withdrawn before the expiry of the specified time period of the deposits. A premature withdrawals is, however permitted only at the cost of forfeiture of the interest payable, at least partly. On these deposits, commercial banks pay higher rates of interest, and the rate becomes higher with the increase in duration.

(iv) **Recurring Deposits:** These are deposits under which the depositor deposits certain fixed amount regularly, withdrawable after certain period together with interest.

(v) **Home Safe Accounts:** Home safe account is another scheme aiming at promoting saving habits among the people. Under this scheme, a safe is supplied to depositors to keep it at home and to put his small savings in it. Periodically, the safe is taken to the bank where the amount of safe is credited to his amount.

Advancing of Loans

The second important function of a bank is advancing of loans to the public. After keeping certain cash reserves, the banks lend their deposits to the needy borrowers. Before advancing loans, the banks satisfy themselves about the creditworthiness of the borrowers.

Various types of loans granted by the banks are discussed below:

(i) **Money at Call and Short Notice:** Such loans are for very short period and can be called back by the banks at a very short notice, say one day to fourteen days. These loans are interbank loans. Banks with surplus cash lend to the needy bank for a day or a week. Such loan is repaid next day or at a short notice.

(ii) **Cash Credit:** It is short period loan granted to a customer for a period of one year or less. It may be renewed after the expiry of the period. It is made generally against hypothecation or pledge of goods with the bank. The advantage of the system is that the borrower need not withdraw the whole of the sanctioned amount. He may withdraw in instalments as per his needs. Interest is charged only the on the amount utilised. Banks may impose commitment charges on the unutilised portion.

(iii) **Overdraft:** Sometimes, the bank provides overdraft facilities to its customers through which they are allowed to withdraw more than their deposits. Interest is charged from the customers on the overdrawn amount. It requires previous arrangement. The customer is allowed to draw more than the balance in his account.

(iv) **Discounting of Bills of Exchange:** This is another popular type of lending by the modern banks. Through this method, a holder of a bill of exchange can get it discounted by the bank. In a bill of exchange, the debtor accepts the bill drawn upon him by the creditor (i.e., drawer of the bill) and agrees to pay the amount mentioned on maturity. After making some marginal deductions (in the form of commission), the bank pays the value of bill to the holder. When the bill of exchange matures, the bank gets its payment from the party which had accepted the bill. Hence, bills of exchange are considered self-liquidating documents i.e., they become cash automatically.

(v) **Loans:** Loan is given for a fixed period at an agreed rate of interest. It is made normally against security. In addition to personal security, collateral security has to be provided by the borrower. In case of medium-term or long-term loans, the sanctioned amount is credited to the account of the borrower. He may withdraw the whole amount or a part of the amount. But, interest is charged on the whole amount. Loans can be repaid in instalments or in total amount on maturity.

(vi) **Consumer Credit:** Loans are given to all the salaried employees to buy consumer durable and household goods like scooter, TVs, etc. The amount is recovered from the employees salaries in the form of instalments. Education loans are also sanctioned to students to pursue higher studies.

(vii) **Credit Cards:** Banks generally issue credit cards to individuals, in order to enable them to buy anything without cash. The bill or receipt for goods purchased is sent by the vendor to the bank concerned. Credit card facility is made available for specified amounts. Service organisations like hotels, travel agencies, sellers of goods, etc., are accepting credit cards.

(viii) **Miscellaneous Advances:** Among other forms of bank advances, there are packing credits given to exporters for a short duration, export bills purchased discounted, import finance – advances against import bills, finance to the self-employed, credit to the public sector, credit to the co-operative sector and above all, credit to the weaker sections on the concessional rates.

Remittance of Funds

Commercial banks, on account of their network of branches throughout the country, also provide facilities to remit funds from one place to another for their customers by issuing bank drafts, mail transfers or telegraphic transfers on nominal commission charges. In addition to the above, commercial banks perform a multitude of other non-banking functions which may be classified as;

1. Agency Services,
2. General Utility Services.

Secondary Functions:

1. **Agency Services:** Banks perform certain functions on behalf of their customers, such as:
   - **(i) Collection and Payment of Credit Instruments:** To collect or make payments for bills, cheques, promissory notes, interest, dividends, rents, subscriptions, insurance premia, etc. For these services, some charges are usually levied by the banks.
   - **(ii) Acting as Trustee and Executor:** To act as an executor and trustee for the customer's will.
   - **(iii) Income Tax Consultancy:** Sometimes bankers also employ income tax experts not only to prepare income tax returns for their customers but also to help them to get refund of income tax in appropriate cases.
   - **(iv) Acting as Representative and Correspondent:** To work as correspondents, agents or representatives of their clients.

Recently, bankers obtain passports, traveller's tickets, secure passages for their customers, and receive letters on their behalf.

2. **General Utility Services:** Modern commercial banks usually perform certain general utility services for the community such as:
   - **(i) Letters of Credit:** Letters of credit may be given by the banks at the behest of the importer in favour of the exporter.
   - **(ii) Traveller Cheques:** Bank drafts and traveller's cheques are issued in order to provide facilities for transfer of funds from one part of the country to another.
   - **(iii) Foreign Exchange Business:** Banks may deal in foreign exchange or finance foreign trade by accepting or collecting foreign bills of exchange.
   - **(iv) Acting as References:** Banks may act as references with respect to the financial standing, business reputation, and responsibility of customers.
   - **(v) Underwritten Securities:** Shares floated by the government, public bodies and corporations may be underwritten by banks.
   - **(vi) Locker Facility:** Certain banks arrange for safe deposit vaults, so that customers may entrust their securities and valuables to them for safe custody.
   - **(vii) Collection of Statistics:** Banks also complete statistics and business information relating to trade, commerce, and industry. Some banks may publish valuable journals or bulletins containing research on financial, economic and commercial matters.

Modern Services

Banks play an important role in modern economy:

1. They constitute the very lifeblood of modern trade, commerce and industry, as they provide the necessary funds for their working capital, such as to buy raw materials, to pay wages, to incur current business expenses in marketing of goods, etc.

2. Banks encourage people's savings habit through their various savings deposit schemes.
3. They also mobilise idle saving resources from households to business people for productive use.
4. They transmit money from place to place with economy and safety.
5. Their agency services are, no doubt, of immense value to the people at large, as they ease their difficulties, save their time and energy and provide them safety and security.

E-Banking

When the business and commerce tend to be in the electronic modes, banking can never remain isolated. When e-commerce refers to carrying on business transaction electronically, it covers any form of business, including banking. Hence, a-banking implies performing basic banking transactions by the customers round the clock globally, through electronic media. Modern banking is more information based, speedy and boundary less due to the impact of e-revolution. Modern banks have to be well versed in information technology, its users and applications. e-banking divisions have to be IT based, with the spread of digital economy. E-banking is more of a science than art. E-banking is knowledge-based and mostly scientific in using electronic devices of the computer revolution. When most business and commercial enterprises tend to become interest working organisations, banking has to be e-banking in the new century.

The delivery of banking services by electronic banking channels may be defined as electronic banking. It started with the introduction of the computers and ATM (in 1970s). The next step was telephone banking in 1980s and now internet banking. The introduction of new instruments such as credit cards, ATM, retail electronic fund transfer (EFT) and electronic clearing services (ECS) have all helped in developing an effective and efficient settlement systems. All these constitute electronic banking.

Today's Banking is Virtual Banking

Virtual banking denotes the provision of banking and other related services through the extensive use of IT, without direct resource to the bank by the customers. The salient features of virtual banking are the overwhelming reliance on IT and the absence of physical bank branches to deliver banking services to the customers. The principal types of virtual banking services include Automated Teller Machine (ATM), shared ATM networks, electronic funds transfer at point of sale (EFTPOS), smart cards, stored value cards, phone banking, home banking, internet and intranet banking. Thus, the practice of banking has undergone a significant transformation due to the adoption of banking.

Advantages of E-banking

E-banking has the following advantages:

1. **Anytime Banking:** E-banking facilitates performing of basic transactions by customers round the clock globally. Worldwide 24 hours and 7 days a week, banking services are made easy and possible.
2. **It Reduces Cost:** The operational costs have come down due to technological adoption. The cost of transactions through internet banking is much less than any other traditional mode.
3. **Profitable Banking:** The increased speed of response to customers requirements under e-banking *vis-a-vis* branch banking can enhance customer satisfaction, and consequently, can lead to higher profits via handling a larger number of customer accounts.
4. **Quality Banking:** E-banking opens new vistas for providing efficient, economic and quality service to the customers. E-banking allows the possibility of improved quality and an enlarged range of services being made available to the customers.
5. **Service Banking:** E-banking creates strong basic infrastructure for the banks to embark upon many cash management products and to venture in the new fields like e-commerce, EDI, etc. Instant credit, immediate payment of utility bills, instant transfer of funds, etc., would be made possible under e-banking. In a nutshell, it adds conveniences to the entire banking services, apart from widening the range of services.
6. **Global Coverage:** It provides global network coverage of bank services.
7. **Central Database:** The database of each branch is centralised. Now a customer is not a customer of branch but is the customer of a bank. He can deposit, withdraw or remit money from any branch of his bank.

Mobile Banking

Meaning

The delivery of bank's services to a customer through mobile (cell) phone is called mobile banking. When compared with telephone banking the scope of mobile banking is more and effective, also. Mobile banking can take the form of SMS banking, GSM SIM toolkit and WAP.

(a) **SMS Banking:** Short messages will be sent to customer's mobile phones. SMS messages can be used for both passive and active banking variety of operations. A customer is able to receive information in the form of message about his account balance after a certain operation is performed. Likewise, a customer can send an SMS to the bank requesting specific information like current interest rates, currently exchange sales, etc.

(b) **GSM SIM Toolkit:** This service is used from a mobile phone supporting this technology. GSM SIM toolkit is software that involves arbitrary changes to the mobile phone menu. Mobile phones that are now available in the market, support the GSM SIM toolkit after purchasing a special SIM card and activating it at the concerned bank branch.

(c) **WAP (Wireless Application Protocol):** WAP is often compared to webpages, although it is a simplification. Unlike pages appearing on the computer monitor, WAP presents its output on a small mobile phone display. It is a gateway to various services offered by a mobile network operator or another firm. Security is provided by an electronic key. WAP banking is provided by only few banks.

Benefits to Customers

1. User-friendly
2. Reduces mobility of cash and secures enough as it enables the banking in privacy.
3. Anytime information about the banking enquiries without visiting the banks frequently.
4. Easy accessibility and within customer reach.

Benefits to Bank

1. A good networking with less transaction cost to banks.
2. Banks handle substantially increased business transactions with fewer infrastructures.
3. Increased customer satisfaction helps the banks in retention of increased customers and helps in increasing the new customer's references, too.
4. Revenue generation by new partnerships and relationships with other business; and minimises the expenses of cash-in-transit.

Core Banking

Core banking is a banking service provided by a group of networked bank branches where customers may access their bank account and perform basic transactions from any of the member branch offices.

Core banking is often associated with retail banking and many banks treat the retail customers as their core banking customers. Businesses are usually managed via the corporate banking division of the institution. Core banking covers basic depositing and lending of money.

Core banking became possible with the advent of computer and telecommunication technology that allowed information to be shared between bank branches quickly and efficiently.

Before the 1970s, it used to take at least a day for a transaction to reflect in the real account because each branch had their local servers, and the data from the server in each branch was sent in a batch to the servers in the data centre only at the end of the day (EOD).

Over 30 years, most banks moved to core banking applications to support their operations creating a Centralized Online Real-time Exchange (or Environment) (CORE). This meant that all the bank's branches could access applications from centralised data centres. Deposits made were reflected immediately on the bank's servers, and the customer could withdraw the deposited money from any of the bank's branches.

Banks have the largest share in the core banking solution market and are likely to remain so for sometime. Banks have a market attractiveness index of 5.0 by end user, substantially more than that of financial institutions in the core banking solution market. The bank segment is predicted to grow with the highest CAGR of 5.6 per cent from 2017 to 2027. Branch less banking is a new trend that should benefit the core banking solution market as it allows banks to cater to the requirements of their customers in far-off rural areas who are unable to access physical banks.

Advancements in internet and information technology, thus reduced manual work in banks, increasing efficiency. Computer software is developed to perform core operations of banking like recording of transactions, passbook maintenance, and interest calculations on loans and deposits, customer records, balance of payments and withdrawal. This software is installed at different branches of bank and then interconnected by means of computer networks based on telephones, satellite and the internet.

Gartner defines a core banking system as a back-end system that processes daily banking transactions, and posts updates to accounts and other financial records. Core banking systems typically include deposit, loan and credit processing capabilities, with interfaces to general ledger systems and reporting tools. Core banking applications are often one of the largest single expense for banks and legacy software are a major issue in terms of allocating resources. Spending on these systems is based on a combination of service oriented architecture and supporting technologies.

Many banks implement custom applications for core banking. Others implement or customise commercial independent software or vendor packages. System integrators like Cognizant, EdgeVerve Systems Limited, Capgemini, Accenture, IBM and Tata Consultancy Services implement these core banking packages at banks.

Choosing right core banking solution is again a tough task for banks. It is not always that easy to select right core banking solution.

Bank Assurance

Bankassurance, is a relationship between a bank and an insurance company, aimed at offering insurance products or insurance benefits to the bank's customers.

In this partnership, bank staff and tellers become the point of sale and point of contact for the customer. Bank staff are advised and supported by the insurance company through wholesale product information, marketing campaigns and sales training.

The bank and the insurance company share the commission. Insurance policies are processed and administered by the insurance company.

This partnership arrangement can be profitable for both companies. Banks can earn additional revenue by selling the insurance products, while insurance companies are able to expand their customer base without having to expand their sales forces or pay commissions to insurance agents or brokers.

Bankassurance has proved to be an effective distribution channel in a number of countries in Europe, Latin America, Asia and Australia.

BIM differs from classic or Traditional Insurance Model **(TIM)** in that TIM insurance companies tend to have larger insurance sales teams and generally work with brokers and third party agents.

An additional approach, the Hybrid Insurance Model **(HIM)**, is a mix between BIM and TIM. HIM insurance companies may have a sales force, may use brokers and agents and may have a partnership with a bank.

BIM is extremely popular in European countries such as Spain, France and Austria.

The use of the term picked up as banks and insurance companies merged and banks sought to provide insurance, especially in markets that have been liberalised recently. It is a controversial idea, and many feel it gives banks, too great a control over the financial industry or creates too much competition with existing insurers.

In some countries, bank insurance is still largely prohibited, but it was recently legalised in countries when the Glass-Steagall Act was repealed after the passage. But, revenues have been modest and flat in recent years, and most insurance sales in US banks are for mortgage insurance, life insurance or property insurance related to loans. But China recently allowed banks to buy insurers and *vice versa*, stimulating the bankassurance product, and some major global insurers in China have seen the bankassurance product greatly expand sales to individuals across several product lines.

Private-bankassurance is a wealth management process pioneered by Lombard International Assurance and now used globally. The concept combines private banking and investment management services with the sophisticated use of life assurance as a financial planning structure to achieve fiscal advantages and security for wealthy investors and their families. The banks are the agent of the insurance companies to sell them more and more policies. Bankassurance is an efficient distribution channel with higher productivity and lower costs than traditional distribution channel.

Models of Bankassurance

"Integrated models" is insurance activity deeply integrated with bank's processes. Premium is usually collected by the bank, usually, direct debit from customer's account held in that bank. New business data entry is done in the bank's branches and workflows between the bank and the insurance companies are automated. In most cases, asset management is done by the bank's asset management subsidiary.

Insurance products are distributed by branch's staff, which is sometimes supported by specialised insurance advisers for more sophisticated products or for certain types of clients. Life insurance products are fully integrated in the bank's range of savings and investment products and the trend is for branch staff to sell a growing number of insurance products that are becoming further removed from its core business, e.g. protection, health, or non-life products.

Products are mainly medium- and long-term tax advantaged investment products. They are designed specifically for bankassurance channels to meet the needs of branch advisers in terms of simplicity and similarity with banking products. In particular, these products often have a low-risk insurance component.

Bank branches receive commissions for the sale of life insurance products. Part of the commissions can be paid to branch staff as commissions or bonuses based on the achievement of sales targets.

"Non-integrated Models": The sale of life insurance products by branch staff has been limited by regulatory constraints since most investment based products can only be sold by authorised financial advisers who have obtained a minimum qualification.

Banks have therefore set up networks of financial advisers authorised to sell regulated insurance products. They usually operate as tied agents and sell exclusively the products manufactured by the bank's in-house insurance company or its third-party provider(s).

A proactive approach is used to generate leads for the financial advisers from the customer base, including through mailings and telesales. There is increasing focus on developing relationships with the large number of customers who rarely or never visit a bank branch.

Financial planners are typically employed by the bank or building society rather than the life insurance company and usually receive a basic salary plus a bonus element based on a combination of factors including sales volumes, persistency, and product mix.

Following the reform of the polarisation regime, banks will have the possibility to become multi-tied distributors offering a range of products from different providers. This has the potential to strengthen the position of bankassurers by allowing them to meet their customers' needs.

OMBUDSMAN

An ombudsman, ombud, or public advocate is an official who is charged with representing the interests of the public by investigating and addressing complaints of maladministration or a violation of rights. The ombudsman is usually appointed by the government or by parliament, but with a significant degree of independence. In some countries an inspector general, citizen advocate or other official may have duties similar to those of a national ombudsman, and may also be appointed by a legislature. Below the national level an ombudsman may be appointed by a state, local or municipal government. Unofficial ombudsmen may be appointed by, or even work for, a corporation such as a utility supplier, newspaper, NGO, or professional regulatory body.

The typical duties of an ombudsman are to investigate complaints and attempt to resolve them, usually through recommendations (binding or not) or mediation. Ombudsmen sometimes also aim to identify systematic issues leading to poor service or breaches of people's rights. At the national level, most ombudsmen have a wide mandate to deal with the entire public sector, and sometimes also elements of the private sector (for example, contracted service providers). In some cases, there is a more restricted mandate, for example, with particular sectors of society. More recent developments have included the creation of specialised children's ombudsman and information commissioner agencies.

In some jurisdictions, an ombudsman charged with handling concerns about national government is more formally referred to as the "Parliamentary Commissioner" (e.g., the United Kingdom Parliamentary Commissioner for Administration, and the Western Australian state Ombudsman). In many countries where the ombudsman's responsibility includes protecting human rights, the ombudsman is recognised as the national human rights institution. The post of ombudsman had by the end of the 20th century been instituted by most governments and by some intergovernmental organisations such as the European Union.

Questions

Essay type Questions

1. Describe briefly about the origin and growth of banking in India.
2. Discuss the recent trends in Indian banking.
3. What are the functions of commercial banks?
4. Why are the development banks established?
5. Explain the difference between commercial and nationlised banks.
6. Explain briefly about functions of commercial banks.
7. Discuss about emerging trends in commercial banking in India.
8. What is e-banking, mobile banking and its advantages and disadvantages?
9. What is core banking?
10. Discuss briefly about Ombudsman.
11. Explain the evolution of Banking in India.
12. Explain unit vs. branch banking.

Objective Type Questions

1. Who regulates the money circulation in India?
   (a) State Bank of India (b) Reserve Bank of India
   (c) NABARD (d) Commercial Banks **[Ans.: (b)]**
2. Which of the following is not an organised sector in India?
   (a) Nationalised Banks (b) Regional Rural Banks
   (c) Co-operative Banks (d) Chits and Moneylenders **[Ans.: (d)]**

3. Who will settle the grievances of customers of banks?
   (a) Reserve Bank of India (b) State Bank of India
   (c) Local Courts (d) Ombudsmen **[Ans.: (d)]**
4. Who introduced the Banking Ombudsmen Scheme?
   (a) ARBI (b) SBI
   (c) Ministry of Finance (d) NABARD **[Ans.: (a)]**
5. When was ombudsmen scheme first introduced?
   (a) November 2006 (b) October 1981
   (c) June 1995 (d) January 1998 **[Ans.: (c)]**
6. Which was the first Bank corporated by the Indians? (1881)
   (a) Imperial Bank of India (b) State Bank of India
   (c) Avadh Commercial Bank (d) Reserve Bank of India **[Ans.: (c)]**
7. When was the Avadh Commercial Bank established?
   (a) 881 (b) 1894
   (c) 1898 (d) 1899 **[Ans.: (a)]**
8. Indian Banks Association (IBA) has a common networking system for sharing the ATM facilities in Mumbai, which is known as
   (a) ATM Network (b) Shared Payment Network System
   (c) Cash Network (d) None of these **[Ans.: (b)]**
9. Banking ombudsman means
   (a) Person appointed to recover dues from defaulting borrowers
   (b) A person to whom customer can approach for redress of his grievances
   (c) A person appointed to settle dispute between employees andmanagement
   (d) A person appointed by RBI to oversee the functioning of Foreign Banks
   (e) None of these **[Ans.: (b)]**
10. Which of the following terms is used in banking field?
   (a) Interest rate swap (b) Input devices
   (c) Sedimentary (d) Zero Hour **[Ans.: (b)]**

Fill In the Blanks

1. A bank is a financial institution that deals with ______________.
2. Bank is a financial ______________ which deals in loans and advances.
3. Bank is such an institution which creates ______________.
4. To create propensity of ______________ amongst the people.
5. ______________ plays a significant role in creating investment environments in the country.
6. The word ______________ is widely and extensively used and circulated of money.
7. The expansion of business and trade played ______________ vital role for the advancement of modern banking.
8. The ______________ also played an important role for the growth and development of modern banking.

9. Accommodation of loans and advances: Commercial Bank attaches much importance to providing _______________ at a higher rates.
10. Commercial bank plays a vital role in expediting _______________ business.

Answers:

1. money and credit
2. Intermediary institution
3. money by money only
4. savings
5. Commercial banks
6. "Bank"
7. Commercial Banks
8. Moneylenders (Mahajan)
9. loans and advances
10. foreign trade and exchange