AN OVERVIEW OF BANKING SECTOR IN INDIA

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Introduction

A bank is a financial institution and a financial intermediary that accepts deposits and channels those deposits into lending activities, either directly or through capital markets. A bank connects customers that have capital deficits to customers with capital surpluses.

Due to their critical status within the financial system and the economy generally, banks are highly regulated in most countries. They are generally subject to minimum capital requirements which are based on an international set of capital standards, known as the Basel Accords.

Banking in India originated in the last decades of the 18th century. The first banks were The General Bank of India, which started in 1786, and Bank of Hindustan, which started in 1790; both are now defunct. The oldest bank in existence in India is the State Bank of India, which originated in the Bank of Calcutta in June 1806, which almost immediately became the Bank of Bengal. This was one of the three presidency banks, the other two being the Bank of

Bombay and the Bank of Madras, all three of which were established under charters from the British East India Company. For many years the Presidency banks acted as quasi-central banks, as did their successors. The three banks merged in 1921 to form the Imperial Bank of India, which, upon India's independence, became the State Bank of India in 1955.

Structure of Indian Banking

As per Section 5(b) of the Banking Regulation Act 1949: "Banking" means the accepting, for the purpose of lending or investment, of deposits of money from the public, repayable on demand or otherwise, and withdawal by cheque, draft, order or otherwise."

All banks which are included in the Second Schedule to the Reserve Bank of India Act, 1934 are scheduled banks. These banks comprise Scheduled Commercial Banks and Scheduled Cooperative Banks.

Scheduled Commercial Banks in India are categorised into five different groups according to their ownership and / or nature of operation. These bank groups are:
(i) State Bank of India and its Associates,
(ii) Nationalised Banks,
(iii) Regional Rural Banks,
(iv) Foreign Banks and
(v) Other Indian Scheduled Commercial Banks (in the private sector).

Besides the Nationalized banks (majority equity holding is with the Government), the State Bank of India (SBI) (majority equity holding being with the Reserve Bank of India) and the associate banks of SBI (majority holding being with State Bank of India), the commercial banks comprise foreign and Indian private banks. While the State bank of India and its associates, nationalized banks and Regional Rural Banks are constituted under respective enactments of the Parliament, the private sector banks are banking companies as defined in the Banking Regulation Act. These banks, along with regional rural banks, constitute the public sector (state owned) banking system in India.
The Public Sector Banks in India are back bone of the Indian financial system.

The cooperative credit institutions are broadly classified into urban credit cooperatives and rural credit cooperatives. Scheduled Co-operative Banks consist of Scheduled State Co-operative Banks and Scheduled Urban Co-operative Banks.

Regional Rural Banks (RRB's) are state sponsored, regionally based and rural oriented commercial banks. The Government of India promulgated the Regional Rural Banks Ordinance on 26th September 1975, which was later replaced by the Regional Rural Bank Act 1976. The preamble to the Act states the objective to develop rural economy by providing credit and facilities for the development of agriculture, trade, commerce, industry and other productive activities in the rural areas, particularly to small and marginal farmers, agricultural labourers, artisans and small entrepreneurs.

Bank Nationalization

The Government of India issued an ordinance and nationalised the 14 largest commercial banks with effect from the midnight of July 19, 1969. Within two weeks of the issue of the ordinance, the Parliament passed the Banking Companies (Acquisition and Transfer of Undertaking) Bill, and it received the presidential approval on 9 August 1969.

The need for the nationalisation was felt mainly because private commercial banks were not fulfilling the social and developmental goals of banking which are so essential for any industrialising country. Despite the enactment of the Banking Regulation Act in 1949 and the nationalisation of the largest bank, the State Bank of India, in 1955, the expansion of commercial banking had largely excluded rural areas and small-scale borrowers.

A second dose of nationalization of 6 more commercial banks followed in 1980. The stated reason for the nationalization was to give the government more control of credit delivery. With the second dose of nationalization, the Government of India controlled around 91% of the banking business of India. Later on, in the year 1993, the government merged New Bank of India with Punjab National Bank. It was the only merger between nationalized banks and resulted in the reduction of the number of nationalised banks from 20 to 19. 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.

List of Nationalised Banks in India in 2012:

1. Allahabad Bank
2. Andhra Bank
3. Bank of Baroda
4. Bank of India
5. Bank of Maharashtra

6. Canara Bank
7. Central Bank of India
8. Corporation Bank
9. Dena Bank
10. Indian Bank
11. Indian Overseas Bank
12. Oriental Bank of Commerce
13. Punjab and Sind Bank
14. Punjab National Bank
15. State Bank of Bikaner & Jaipur
16. State Bank of Hyderabad
17. State Bank of India (SBI)
18. State Bank of Indore
19. State Bank of Mysore
20. State Bank of Patiala
21. State Bank of Travancore
22. Syndicate Bank
23. UCO Bank
24. Union Bank of India
25. United Bank of India
26. Vijaya Bank

Reserve Bank of India has, vide its letter no DBOD. BP. 1630/21.04.152/2004-05 dated April 15, 2005 confirmed that IDBI Ltd. (since renamed as IDBI Bank Ltd.) may be considered as Government-owned bank. Ministry of Finance has vide its circular no. F.No. 7/96/2005-BOA dated December 31, 2007 advised Secretaries of all Ministries/Departments of Government of India that IDBI Bank Ltd. is to be treated on PAR with Nationalised Banks/State Bank of India by Govt. Departments/Public Sector Undertakings/other entities for all purposes, including deposits/bonds/investments/guarantees etc. and Government business.

Reserve Bank of India

The Reserve Bank of India is the central bank of the country. Central banks are a relatively recent innovation and most central banks, as we know them today, were established around the early twentieth century.

The Reserve Bank of India was set up on the basis of the recommendations of the Hilton Young Commission. The Reserve Bank of India Act, 1934 (II of 1934) provides the statutory basis of the functioning of the Bank, which commenced operations on April 1, 1935.

The Bank was constituted to

- Regulate the issue of banknotes
- Maintain reserves with a view to securing monetary stability and
- To operate the credit and currency system of the country to its advantage.

The Bank began its operations by taking over from the Government the functions so far being performed by the Controller of Currency and from the Imperial Bank of India, the management of Government accounts and public debt. The existing currency offices at Calcutta, Bombay, Madras, Rangoon, Karachi, Lahore and Cawnpore (Kanpur) became branches of the Issue Department. Offices of the Banking Department were established in Calcutta, Bombay, Madras, Delhi and Rangoon.

Burma (Myanmar) seceded from the Indian Union in 1937 but the Reserve Bank continued to act as the Central Bank for Burma till Japanese Occupation of Burma and later upto April, 1947. After the partition of India, the Reserve Bank served as the central bank of Pakistan upto June 1948 when the State Bank of Pakistan commenced operations. The Bank, which was originally set up as a shareholder's bank, was nationalised in 1949.

The Reserve Bank of India was nationalised with effect from 1st January, 1949 on the basis of the Reserve Bank of India (Transfer to Public Ownership) Act, 1948. All shares in the capital of the Bank were deemed transferred to the Central Government on payment of a suitable compensation.

An interesting feature of the Reserve Bank of India was that at its very inception, the Bank was seen as playing a special role in the context of development, especially Agriculture. When India commenced its plan endeavours, the development role of the Bank came into focus, especially in the sixties when the Reserve Bank, in many ways, pioneered the concept and practise of using finance to catalyse development. The Bank was also instrumental in institutional development and helped set up insitutions like the Deposit Insurance and Credit Guarantee Corporation of India, the Unit Trust of India, the Industrial Development Bank of India, the National Bank of Agriculture and Rural Development, the Discount and Finance House of India etc. to build the financial infrastructure of the country.

With liberalisation, the Bank's focus shifted back to core central banking functions like Monetary Policy, Bank Supervision and Regulation, and Overseeing the Payments System and onto developing the financial markets.

Regulation of Banks by RBI

The Reserve Bank of India has been empowered under the Banking Regulation Act, 1949 to regulate and supervise banks' activities in India and their branches abroad. While the regulatory provisions of this Act prescribe the policy framework to be followed by banks, the supervisory framework provides the mechanism to ensure banks' compliance with the policy prescription.

While the Department of Banking Operations and Development exercises regulatory powers in respect of commercial banks and Local Area Banks (LABs), Regional Rural Banks/District and State Co-operative Banks and Urban Co-operative Banks are regulated by Rural Planning and Credit Department and Urban Banks Department, respectively.

Department of Banking Operations and Development

The Department of Banking Operations and Development is entrusted with the responsibility of regulation of commercial banks and LABs under the regulatory provisions contained in the Banking Regulation Act, 1949 and the Reserve Bank of India Act, 1934 and other related statutes besides enunciation of banking polices. It's functions broadly relate to prescription of regulations for compliance with various provisions of Banking Regulation Act on establishment of banks such as licensing and branch expansion, maintenance of statutory liquidity reserves, management and operations, amalgamation, reconstruction and liquidation of banking companies. The other important activities of the Department include approval for setting up of subsidiaries and undertaking of new activities by commercial banks.

Urban Bank Department – RBI

The Urban Banks Department of the Reserve Bank of India is vested with the responsibility of regulating and supervising primary (urban) cooperative banks, which are popularly known as Urban Cooperative Banks (UCBs).

While overseeing the activities of 1926 primary (urban) cooperative banks, the Urban Banks Department performs three main functions : regulatory, supervisory and developmental. The Department performs these functions through its Regional offices.

I. Regulatory Functions

(i) Licensing of New Primary (Urban) Cooperative Banks

(ii) Licensing of Existing Primary (Urban) Co-operative Banks

(iii) Branch Licensing

(iv) Statutory Provisions

The regulatory functions of Urban Banks Department relate to monitoring compliance with the provisions of the Banking Regulation Act, 1949 (As Applicable to Cooperative Societies) by urban cooperative banks. These provisions include :

a. Minimum Share Capital

Under the provisions of Section 11 of the Banking Regulation Act, 1949 (As Applicable to Cooperative Societies)

b. Maintenance of CRR and SLR

As in the case of commercial banks, primary (urban) cooperative banks are also required to maintain certain amount of cash reserve and liquid assets. The scheduled primary (urban) cooperative banks are required to maintain with the Reserve Bank of India an average daily balance - in terms of Section 42 of the Reserve Bank of India Act, 1934. Non-scheduled (urban) cooperative banks, - under the provision of Section 18 of Banking Regulation Act, 1949 (As Applicable to Cooperative Societies)

II. Supervisory Functions

To ensure that the UCBs conduct their affairs in the interests of the depositors and also comply with the regulatory framework prescribed by the Reserve Bank of India, the department undertakes on site inspection of these banks with frequency ranging from one to two years depending upon the financial condition / status of banks. The thrust of supervision is to ensure that banks' affairs are not conducted in a manner detrimental to the depositors' interest and also to assess the solvency of the bank vis-□-vis its liabilities, besides examining the banks' compliance with the existing regulatory framework. The department also undertakes off-site surveillance of scheduled banks and non-scheduled banks with a deposit base of Rs 100 crore and above based on a set of quarterly and annual returns.

III. Developmental Functions

With a view to extending institutional credit support to tiny and cottage units, the Reserve Bank of India grants refinance facilities to urban cooperative banks under the provisions of Section 17 of the Reserve Bank of India Act, 1934. The refinance is given at the Bank Rate.

Training is imparted to the middle and top management of urban cooperative banks through College of Agricultural Banking, Pune.

IV. Sections / Divisions of Urban Banks Department

1. Administration

This Section handles staff matters of the department.

2. New Bank Licensing and Branch Licensing

This section frames policies for issue of bank licence /allots centres for opening of branches and authorizes regional offices to take action accordingly. It also deals with conversion of cooperative credit societies into urban banks.

3. Returns

Returns section at each of the regional offices is responsible for monitoring receipt of various statutory returns under the provisions of Banking Regulation Act, 1949, (AACS) and Sec 42 of Reserve Bank of India Act 1934 in case of scheduled UCBs. They also verify compliance with the provisions of the Acts, ibid, and take suitable action against non-compliant UCBs.

4. Banks Supervision

This division arranges inspection of urban cooperative banks through regional offices and closely monitors the action taken by the UCBs to rectify the irregularities / deficiencies pointed out in inspection reports. The division also associates itself with the RCS of respective states in rehabilitation of financially weak UCBs.

5. Banking Policy

This section frames policies on prudential norms, investment policies, monitoring priority sector targets, refinancing, issue of directives on interest rates, CRR/SLR, etc. Policies relating to para banking activities such as merchant banking, hire purchase, leasing, insurance business, etc. are also formulated by this division. Besides, the section also attends to compliance with the directions of Local Board / Central Board / BFS, furnishes requisite material for Bank's publications such as Annual Report, Report on Trend and Progress of Banking in India, Currency and Finance, etc.

Further, the section interprets the provisions of Banking Regulation Act 1949 (AACS), initiates amendments, coordinates with the Government, corresponds with various State Governments on matters pertaining to amendments of State Cooperative Societies Acts, coordinates with DICGC on matters pertaining to banks under liquidation, maintains and updates the list of urban cooperative banks, monitors cooperative credit societies having paid up capital above Rs one lakh, watches compliance to Sec 9, 29 & 31 of Banking Regulation Act, attends to cooperative banks going out of the purview of Banking Regulation Act etc.

Annual Monetary and Credit Policy

The RBI announces the credit policy twice a year —- Generally in April and in October. While in April it announces new policy initiatives, the October pronouncement is a review of the April policy. RBI has now decided to have quarterly reviews of monetary policy.

Banking Legislations

Reserve bank of India (RBI) established in 1935 is the Central bank. RBI is regulator for financial and banking system, and formulates monetary policy and prescribes exchange control norms. The Banking Regulation Act, 1949 and the Reserve Bank of India Act, 1934 authorize the RBI to regulate the banking sector in India.

Important Legislations pertaining to Banking Sector are:

Core Legislations

1.The Banking Regulation Act, 1949
2.The Reserve Bank of India Act, 1934

Acts governing specific functions

1.Public Debt Act, 1944

2.Government Securities Act 2006
3.Securities Contract (Regulation) Act, 1956
4.Indian Coinage Act, 1906
5.Foreign Exchange Management Act, 1999
6.Payment and Settlement Systems Act, 2007

<u>Acts governing Banking Operations</u>

1.Companies Act, 1956
2.Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970
3.Bankers' Books Evidence Act, 1891
4.The Negotiable Instruments Act, 1881
5.The Prevention of Money Laundering Act, 2002
6.Securities and Exchange Board of India Act, 1992

<u>Acts governing Individual Institutions</u>

1.The State Bank of India Act, 1954
2.The Industrial Development Bank (Transfer of Undertaking and Repeal) Act, 2003
3.The Industrial Finance Corporation (Transfer of Undertaking and Repeal) Act, 1993
4.National Bank for Agriculture and Rural Development Act, 1981
5.National Housing Bank Act, 1987
6.Deposit Insurance and Credit Guarantee Corporation Act, 1961
7.Regional Rural Banks Act, 1976

Constitution of the Financial Sector Legislative Reforms Commission (FSLRC)

The FSLRC has been constituted under the Chairmanship of Justice B.N. Srikrishna by the Central Government in March 2011, with a view to rewriting, streamlining and harmonising financial sector laws, rules and regulations with the requirements of India's growing financial sector. The Terms of Reference of the Commission inter alia include the following: (i) examining the architecture of the legislative and regulatory system governing the Indian financial sector; (ii) examining if public feedback for draft subordinate legislation should be made mandatory, with exception for emergency measures and; (iii) examining the most appropriate means of oversight over regulators and their autonomy from the Government.

The Securities and Insurance Laws (Amendment and Validation) Act, 2010

The Act, effective from June 18, 2010, has amended the Reserve Bank of India Act, 1934, the Insurance Act, 1938, the Securities Contracts (Regulation) Act, 1956 and the Securities and Exchange Board of India Act, 1992. As noted in the RBI Annual Report 2010- 11, a new chapter on "Joint Mechanism" has been inserted in the Reserve Bank of India Act, 1934. The Chapter provides for a Joint Mechanism, consisting of Union Finance Minister as its ex-officio Chairperson, Governor, Reserve Bank, as its ex-officio Vice-Chairman, Finance Secretary and Chairpersons of SEBI, IRDA and Pension Fund Regulatory and Development Authority (PFRDA), as its members to resolve any difference of opinion among the regulators. The Act provides for a reference being made to the Joint Committee only by the regulators and not by the Central Government. The decision of the Joint Committee would be binding on the Reserve Bank, SEBI, IRDA and PFRDA.

The Banking Laws (Amendment) Bill, 2011

The Banking Laws (Amendment) Bill, 2011 seeks to strengthen the regulatory powers of the Reserve Bank of India. It aims to address the issue of capital raising capacity of banks in India. This Bill was first introduced in 2005 but lapsed with the dissolution of the 14th Lok Sabha.

The Bill introduced in Lok Sabha on March 22nd, 2011 seeks to amend the Banking Regulation Act, 1949, the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 and the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1980 to make the regulatory powers of the Reserve Bank more effective and to increase the access of the nationalised banks to capital market to raise capital required for expansion of banking business. The Bill seeks to inter alia: (i) enable the nationalised banks to increase or decrease the authorised capital with approval from the Central Government and the Reserve Bank without being limited by the ceiling of `3,000 crore; (ii) make provisions to ensure that control of banking companies is in the hands of 'fit and proper' persons; (iii) allow nationalised banks to issue two additional instruments (bonus shares and rights issue) for accessing the capital market to raise capital required for expansion of banking business; (iv) substantially increase the penalties and fine for some violations of the Banking Regulation Act, 1949; and (v) confer power upon the Reserve Bank to levy penal interest in case of non-maintenance of required cash reserve ratio.

FINANCIAL INFRASTRUCTURE

National Bank of Agriculture and Rural Development (NABARD)

http://www.nabard.org/

NABARD is set up as an apex Development Bank with a mandate for facilitating credit flow for promotion and development of agriculture, small-scale industries, cottage and village industries, handicrafts and other rural crafts. It also has the mandate to support all other allied economic activities in rural areas, promote integrated and sustainable rural development and secure prosperity of rural areas. In discharging its role as a facilitator for rural prosperity NABARD is entrusted with

1. Providing refinance to lending institutions in rural areas

2. Bringing about or promoting institutional development and

3. Evaluating, monitoring and inspecting the client banks

Besides this pivotal role, NABARD also:

• Acts as a coordinator in the operations of rural credit institutions

• Extends assistance to the government, the Reserve Bank of India and other organizations in matters relating to rural development

• Offers training and research facilities for banks, cooperatives and organizations working in the field of rural development

• Helps the state governments in reaching their targets of providing assistance to eligible institutions in agriculture and rural development

• Acts as regulator for cooperative banks and RRBs

• Extends assistance to the government, the Reserve Bank of India and other organizations in matters relating to rural development

• Offers training and research facilities for banks, cooperatives and organizations working in the field of rural development

• Helps the state governments in reaching their targets of providing assistance to eligible institutions in agriculture and rural development

- Acts as regulator for cooperative banks and RRBs

Deposit Insurance and Credit Guarantee Corporation of India (DICGC)
http://www.dicgc.org.in/English/index.html

The functions of the DICGC are governed by the provisions of 'The Deposit Insurance and Credit Guarantee Corporation Act, 1961' (DICGC Act) and 'The Deposit Insurance and Credit Guarantee Corporation General Regulations, 1961' framed by the Reserve Bank of India in exercise of the powers conferred by sub-section (3) of Section 50 of the said Act.

The preamble of the Deposit Insurance and Credit Guarantee Corporation Act, 1961 states that it is an Act to provide for the establishment of a Corporation for the purpose of insurance of deposits and guaranteeing of credit facilities and for other matters connected therewith or incidental thereto

The concept of insuring deposits kept with banks received attention for the first time in the year 1948 after the banking crises in Bengal. The question came up for reconsideration in the year 1949, but it was decided to hold it in abeyance till the Reserve Bank of India ensured adequate arrangements for inspection of banks. Subsequently, in the year 1950, the Rural Banking Enquiry Committee also supported the concept. Serious thought to the concept was, however, given by the Reserve Bank of India and the Central Government after the crash of the Palai Central Bank Ltd., and the Laxmi Bank Ltd. in 1960. The Deposit Insurance Corporation (DIC) Bill was introduced in the Parliament on August 21, 1961. After it was passed by the Parliament, the Bill got the assent of the President on December 7, 1961 and the Deposit Insurance Act, 1961 came into force on January 1, 1962.

The Deposit Insurance Scheme was initially extended to functioning commercial banks only. This included the State Bank of India and its subsidiaries, other commercial banks and the branches of the foreign banks operating in India.

Since 1968, with the enactment of the Deposit Insurance Corporation (Amendment) Act, 1968, the Corporation was required to register the 'eligible co-operative banks' as insured banks under the provisions of Section 13 A of the Act. An eligible co-operative bank means a co-operative bank (whether it is a State co-operative bank, a Central co-operative bank or a Primary co-operative bank) in a State which has passed the enabling legislation amending its Cooperative Societies Act, requiring the State Government to vest power in the Reserve Bank to order the Registrar of Co-operative Societies of a State to wind up a co-operative bank or to supersede its Committee of Management and to require the Registrar not to take any action for winding up, amalgamation or reconstruction of a co-operative bank without prior sanction in writing from the Reserve Bank of India.

Further, the Government of India, in consultation with the Reserve Bank of India, introduced a Credit Guarantee Scheme in July 1960. The Reserve Bank of India was entrusted with the administration of the Scheme, as an agent of the Central Government, under Section 17 (11 A)(a) of the Reserve Bank of India Act, 1934 and was designated as the Credit Guarantee Organization (CGO) for guaranteeing the advances granted by banks and other Credit Institutions to small scale industries. The Reserve Bank of India operated the scheme up to March 31, 1981.

The Reserve Bank of India also promoted a public limited company on January 14, 1971, named the Credit Guarantee Corporation of India Ltd. (CGCI). The main thrust of the Credit Guarantee Schemes, introduced by the Credit Guarantee Corporation of India Ltd., was aimed at encouraging the commercial banks to cater to the credit needs of the hitherto neglected sectors, particularly the weaker sections of the society engaged in non-industrial activities, by providing guarantee cover to the loans and advances granted by the credit institutions to small and needy borrowers covered under the priority sector.

With a view to integrating the functions of deposit insurance and credit guarantee, the above two organizations (DIC & CGCI) were merged and the present Deposit Insurance and Credit Guarantee Corporation (DICGC) came into existence on July 15, 1978. Consequently, the title of Deposit Insurance Act, 1961 was changed to 'The Deposit Insurance and Credit Guarantee Corporation Act, 1961 '.

Effective from April 1, 1981, the Corporation extended its guarantee support to credit granted to small scale industries also, after the cancellation of the Government of India's credit guarantee scheme. With effect from April 1, 1989, guarantee cover was extended to the entire priority sector advances, as per the definition of the Reserve Bank of India. However, effective from April 1, 1995, all housing loans have been excluded from the purview of guarantee cover by the Corporation.

Industrial Development Bank of India (IDBI)
http://www.idbi.com/

Industrial Development bank of India (IDBI) was constituted under Industrial Development bank of India Act, 1964 as a Development Financial Institution and came into being as on July 01, 1964 vide GoI notification dated June 22, 1964. It was regarded as a Public Financial Institution in terms of the provisions of Section 4A of the Companies Act, 1956. It continued to serve as a DFI for 40 years till the year 2004 when it was transformed into a Bank.

In response to the felt need and on commercial prudence, it was decided to transform IDBI into a Bank. For the purpose, Industrial Development bank (transfer of undertaking and Repeal) Act, 2003 [Repeal Act] was passed repealing the Industrial Development Bank of India Act, 1964. In terms of the provisions of the Repeal Act, a new company under the name of Industrial Development Bank of India Limited (IDBI Ltd.) was incorporated as a Govt. Company under the Companies Act, 1956 on September 27, 2004. Thereafter, the undertaking of IDBI was transferred to and vested in IDBI Ltd. with effect from the effective date of October 01, 2004. In terms of the provisions of the Repeal Act, IDBI Ltd. has been functioning as a Bank in addition to its earlier role of a Financial Institution.

Towards achieving the faster inorganic growth of the Bank, IDBI Bank Ltd., a wholly owned subsidiary of IDBI Ltd. was amalgamated with IDBI Ltd. in terms of the provisions of Section 44A of the Banking Regulation Act, 1949 providing for voluntary amalgamation of two banking companies. The merger became effective from April 02, 2005.

The United Western bank Ltd. (UWB), a Satara based private sector bank was placed under moratorium by RBI. Upon IDBI Ltd. showing interest to take over the said bank towards its further inorganic growth, RBI and Govt. of India amalgamated UWB with IDBI Ltd. in terms of the provisions of Section 45 of the Banking Regulation Act, 1949. The merger came into effect on October 03, 2006.

In order that the name of the Bank truly reflects the functions it is carrying on, the name of the Bank was changed to IDBI Bank Limited and the new name became effective from May 07, 2008 upon issue of the Fresh Certificate of Incorporation by Registrar of Companies, Maharashtra. The Bank has been accordingly functioning in its present name of IDBI Bank Limited.

BANKING FEDERATIONS AND ASSOCIATIONS IN INDIA

Indian Institute of Banking and Finance
http://www.iibf.org.in/

Established in 1928 as a Company under Section 25 of the Indian Companies Act, 1913, Indian Institute of Banking & Finance (IIBF), formerly known as The Indian Institute of Bankers (IIB), is a professional body of banks, financial institutions and their employees in India. With its membership of over 700 banks and financial institutions as institutional members and about 300000 of their employees as individual members, IIBF is the largest Institute of its kind in the world and is working with a Mission "to develop professionally qualified and competent bankers and finance professionals primarily through a process of education, training, examination, consultancy/counseling and continuing professional development programmes".

Indian Banks Association
http://www.iba.org.in/

The Indian Banks' Association (IBA) was formed on the 26th September 1946 with 22 members. As on 31st December 2011 IBA has 166 members
The members comprise of
- Public Sector Banks
- Private Sector Banks
- Foreign Banks having offices in India and
- Urban Co-operative Banks.

Institute for Development and Research in Banking Technology
http://www.idrbt.ac.in/

Institute for Development and Research in Banking Technology (IDRBT) was established by the Reserve Bank of India.

During the first phase of reforms in the Indian Financial Sector, a need was felt to develop an Institute of Higher Learning, which would also provide the operational service support in Information Technology to Banks and Financial Institutions.

The foundation for induction of Computer Technology in the Indian Banking Sector was laid by Dr. Rangarajan Committee's two reports in the years 1984 and

1989. Both the reports strongly recommended computerisation of banking operations at various levels while suggesting the appropriate architecture.

In the year 1993, the Employees' Unions of Banks signed an agreement with Bank Managements under the auspices of Indian Banks' Association [IBA]. This agreement was a major breakthrough in the introduction of computerised applications and development of communication networks in Banks.

In the following two years, substantial work was done and the top managements realised the urgent need for training, research and development activities in the area of Banking Technology. Banks and Financial Institutions started setting up Technology-based training centres and colleges. However, a need was felt for an Apex Level Institute, which would be the Brain Trust for Banking Technology and Spearhead Technology Absorption in the Indian Banking and Financial Sector.

In the year 1994, the Reserve Bank of India formed a committee on "Technology Upgradation in the Payment Systems". The committee recommended a variety of payment applications which can be implemented with appropriate technology upgradation and development of a reliable communication network.

The committee also suggested setting up of an Information Technology Institute for the purpose of Research and Development as well as Consultancy in the application of technology to the Banking and Financial sector of the country. As recommended by the Committee, the Institute for Development & Research in Banking Technology [IDRBT] was established by the Reserve Bank of India in 1996 as an Autonomous Centre for Development and Research in Banking Technology.

Asset Reconstruction Company India Limited (ARCIL)
http://203.115.117.202/Arcil1/

The genesis of asset reconstruction business in India owes its origin to enactment of the Securitisation Act, 2002. Prior to promulgation of the Securitisation Act, 2002, banks and financial institutions had no option but to enforce their security interests through the court process, which was extremely time consuming. There was also no provision in any other law in respect of enforcement of hypothecation, though hypothecation was one of the major security interest taken by the banks and financial Institutions in India. It was in this backdrop that the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Ordinance, 2002 was passed on June 21, 2002 which was enacted by the parliament in December 2002 and became the Securitisation Act, 2002.

The Securitisation Act principally provides for the following:
•enforcement of Security Interests by secured creditors;
•transfer of NPLs to asset reconstruction companies (ARCs), which can then take measures for recovery as prescribed under the Securitisation Act, 2002;
•a legal framework for securitisation of assets.
This empowerment encouraged the three major players in Indian banking system, namely, State Bank of India (SBI), ICICI Bank Limited (ICICI) and IDBI Bank Limited (IDBI) to come together to set-up the first ARC. Punjab National Bank (PNB) became Sponsor in October 2004 by virtue of its shareholding of 10%. Other shareholders predominantly comprise private sector banks.

Arcil was incorporated as a public limited company on February 11, 2002 and obtained its certificate of commencement of business on May 7, 2003. In pursuance of Section 3 of the Securitisation Act 2002, it holds a certificate of registration dated August 29, 2003, issued by the Reserve Bank of India (RBI) and operates under powers conferred under the Securitisation Act, 2002. Arcil is also a "financial institution" within the meaning of Section 2 (h) (ia) of the Recovery of Debts due to Banks and Financial Institutions Act, 1993 (the "DRT Act").

Arcil is the first ARC in the country to commence business of resolution of NPLs upon acquisition from Indian banks and financial institutions. As the first ARC, Arcil has played a pioneering role in setting standards for the industry in India.

BANKING FEDERATIONS AND ASSOCIATIONS WORLDWIDE

The World Bank

http://www.worldbank.org/

The World Bank is one of the world's largest sources of funding and knowledge to support governments of member countries in their efforts to invest in schools and health centers, provide water and electricity, fight disease, and protect the environment.

The World Bank is not a "bank" in the common sense. The World Bank is an international organization owned by the 188 countries - both developed and developing - that are its members.

Since it was set up in 1944 as the International Bank for Reconstruction and Development. The number of member countries increased sharply in the 1950s and 1960s, when many countries became independent nations. As membership grew and their needs changed, the World Bank expanded and is currently made up of five different agencies.

All support to a borrowing countries is guided by a single strategy that the country itself designs with help from the World Bank and many other donors, aid groups, and civil society organizations.

Bank for International Settlements and Basel Accords
http://www.bis.org/

The Bank for International Settlements (BIS) is an international organisation. The mission of the Bank for International Settlements (BIS) is to serve central banks in their pursuit of monetary and financial stability, to foster international cooperation in those areas and to act as a bank for central banks.
The head office is in Basel, Switzerland and there are two representative offices: in the Hong Kong Special Administrative Region of the People's Republic of China and in Mexico City. Established on 17 May 1930, the BIS is the world's oldest international financial organization. As its customers are central banks and international organisations, the BIS does not accept deposits from, or provide financial services to, private individuals or corporate entities.

The Basel Accords refer to the banking supervision Accords (recommendations on banking regulations)—Basel I, Basel II and Basel III—issued by the Basel Committee on Banking Supervision (BCBS). They are called the Basel Accords as the BCBS maintains its secretariat at the Bank for International Settlements (BIS) in Basel, Switzerland and the committee normally meets there.

International Banking Federation
http://www.ibfed.org/

The International Banking Federation (IBFed) is the representative body for a group of key national banking associations. Its main objective is to increase the effectiveness of the financial services industry's response to multilateral and national government issues affecting their common interests

The IBFed's founding members are:

The American Bankers Association
The Australian Bankers' Association
The Canadian Bankers Association

The European Banking Federation
Japanese Bankers Association

Associate members are:

China Banking Association
Indian Banks Association
Korea Federation of Banks
The Association of Russian Banks
The Banking Association of South Africa

The International Banking Federation was formed in March 2004 to represent the combined views of a group of national banking associations. The countries represented by the Federation collectively represent more than 18,000 banks with 275,000 branches, including around 700 of the world's top 1000 banks which alone manage worldwide assets of over $31 trillion. The Federation represents every major financial centre and functions as the key international forum for considering legislative, regulatory and other issues of interest to the global banking industry.

Worldwide Associations

1. The American Bankers Association
http://www.aba.com/default.htm
Based in Washington, DC, the ABA represents banks of all sizes on issues of national importance for financial institutions and their customers

2. Austrian Banker's Association
https://www.voebb.at/english/index.jsp

3. The Australian Bankers' Association
http://www.bankers.asn.au/
The Australian Bankers Association (ABA) is the national organisation of licensed banks in Australia.

4. Belgian Banker's Association – now Febelfin
http://www.febelfin.be/en/febelfin
Febelfin is the Belgian Financial Sector Federation representing 238 members. It tries to reconcile their interests with those of the policy makers, supervisors, trade associations and pressure groups at the national and European level

5. The Canadian Bankers Association
http://www.cba.ca/lang.php
The Canadian Bankers Association is a professional industry association that provides its members - the chartered banks of Canada - with information, research and operational support and contributes to the development of public policy on financial services.

6. The Danish Banker's Association
http://www.finansraadet.dk/mainpage.aspx

7. The European Banking Federation
http://www.ebf-fbe.eu/
Set up in 1960, the European Banking Federation (FBE) is the voice of the European banking sector. It represents the interests of over 4,000 banks from the 15 EU Member States as well as Hungary, Iceland, Norway and Switzerland, with over 2 million employees and total assets of 20,000 billion euros.

8. Estonian Banking Association
http://www.pangaliit.ee/en/welcome

9. Japanese Bankers Association
http://www.zenginkyo.or.jp/en/index.html

10. The Banker's Association of the Republic of China
http://www.ba.org.tw/index-eng.aspx

11. Korea Federation of Banks
http://www.kfb.or.kr/eng/main/index.html

12. The Association of Russian Banks

http://www.arb.ru/site/eng/index.php
Association of Russian Banks (ARB) is a non-governmental non-commercial organization that unites commercial banks and other credit organizations, as well as organizations involved in the functioning of finance-and-credit system of the Russian Federation.

13. The Banking Association of South Africa
http://www.banking.org.za/

The Banking Association South Africa has its genesis in the Council of South African Banks (COSAB). Four separate associations addressing specific areas of activity in the banking sector were merged into COSAB in March 1992. These associations were:

- The Association of Mortgage Lenders.
- Merchant Bankers Association.
- Clearing Bankers Association.
- Association of General Banks

COSAB was a committee-driven structure and was deemed to be inappropriate to address the dynamic issues prevalent in the sector. The leadership of the sector decided to establish The Banking Council South Africa in March 1998. The Banking Council South Africa was an executive driven body that was structured to address the challenges in the sector. The Board of The Banking Council South Africa decided on 7 March 2005 to change the name of the body to The Banking Association South Africa because this was a more appropriate description of the structure of the body and its role.

USEFUL WEBSITES

Reserve Bank of India
http://www.rbi.org.in/home.aspx

National Bank for Agriculture and Rural Development (NABARD)
http://www.nabard.org/

Export Import Bank of India
http://www.eximbankindia.com/

National Housing Bank
http://www.nhb.org.in/

Small Industries Development Bank of India
http://www.sidbi.com/

Industrial Investment Bank of India Ltd.
http://www.iibiltd.com/

North Eastern Development Finance Corporation
http://www.nedfi.com/

About the Author

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Mr.Rajkumar S Adukia is an eminent business consultant, academician, writer, and speaker. A senior partner of Adukia & Associates he has authored more than 34 books on a wide range of subjects. His books on IFRS namely, "Encyclopedia on IFRS (3000 pages) and The Handbook on IFRS (1000 pages) has served number of professionals who are on the lookout for a practical guidance on IFRS. The book on "Professional Opportunities for Chartered Accountants" is a handy tool and ready referencer to all Chartered Accountants.

In addition to being a Chartered Accountant, Company Secretary, Cost Accountant, MBA, Dip IFR (UK), Mr. Adukia also holds a Degree in Law and Diploma in LaborLaws. He has been involved in the activities of the Institute of Chartered Accountants of India (ICAI) since 1984 as a convenor of Kalbadevi CPE study circle. He was the Chairman of the Western Region of Institute of Chartered Accountants of India in 1997 and has been actively involved in various committees of ICAI. He became a member of the Central Council in 1998 and ever since he has worked tirelessly towards knowledge sharing, professional development and enhancing professional opportunities for members. He is a regular contributor to the various committees of the ICAI. He is *currently the Chairman of Committee for Members in Industry and Internal Audit Standard Board of ICAI.*

Mr. Adukia is a rank holder from Bombay University. He did his graduation from Sydenham College of Commerce & Economics. He received a Gold Medal for highest marks in Accountancy & Auditing in the Examination. He passed the Chartered Accountancy with 1st Rank in Inter CA & 6th Rank in Final CA, and 3rd Rank in Final Cost Accountancy Course in 1983. He started his practice as a Chartered Accountant on 1st July 1983, in the three decades following which he left no stone unturned, be it academic expertise or professional development. His level of knowledge, source of information, professional expertise spread across a wide range of subjects has made him a strong and sought after professional in every form of professional assignment.

He has been coordinating with various professional institutions, associations' universities, University Grants Commission and other educational institutions. Besides he has actively participated with accountability and standards-setting organizations in India and at the international level. He was a member of J.J. Irani committee which drafted Companies Bill 2008. He is also member of Secretarial Standards Board of ICSI. He represented ASSOCHAM as member of Cost Accounting Standards Board of ICWAI. He was a member of working group of Competition Commission of India, National Housing Bank, NABARD, RBI, CBI etc.

He has served on the Board of Directors in the capacity of independent director at BOI Asset management Co. Ltd, Bharat Sanchar Nigam Limited and SBI Mutual Funds Management Pvt Ltd. He was also a member of the London Fraud Investigation Team.

Mr. Rajkumar Adukia specializes in IFRS, Enterprise Risk Management, Internal Audit, Business Advisory and Planning, Commercial Law Compliance, XBRL, Labor Laws, Real Estate, Foreign Exchange Management, Insurance, Project Work, Carbon Credit, Taxation and Trusts. His clientele include large corporations, owner-managed companies, small manufacturers, service businesses, property management and construction, exporters and importers, and professionals. He has undertaken specific assignments on fraud investigation and reporting in the corporate sector and has developed background material on the same.

Based on his rich experience, he has written numerous articles on critical aspects of finance-accounting, auditing, taxation, valuation, public finance. His authoritative articles appear regularly in financial papers like Business India, Financial Express, Economic Times and other professional / business magazines. He has authored several accounting and auditing manuals. He has authored books on vast range of topics including IFRS, Internal Audit, Bank Audit, Green Audit, SEZ, CARO, PMLA, Antidumping, Income Tax Search, Survey and Seizure, Real Estate etc. His books are known for their practicality and for their proactive approaches to meeting practice needs.

Mr. Rajkumar is a frequent speaker on trade and finance at seminars and conferences organized by the Institute of Chartered Accountants of India, various Chambers of Commerce, Income Tax Offices and other Professional Associations. He has also lectured at the S.P. Jain Institute of Management, Intensive Coaching Classes for Inter & Final CA students and Direct Taxes Regional Training Institute of CBDT. He also develops and delivers short courses, seminars and workshops on changes and opportunities in trade and finance. He has extensive experience as a speaker, moderator and panelist at workshops and conferences held for both students and professionals both nationally and internationally. Mr. Adukia has delivered lectures abroad at forums of International Federation of Accountants and has travelled across countries for professional work.

Professional Association: *Mr. Rajkumar S Adukia with his well chartered approach towards professional assignments has explored every possible opportunity in the fields of business and profession. Interested professionals are welcome to share their thoughts in this regard.*