Indian Banking System

CONTENTS

IBS

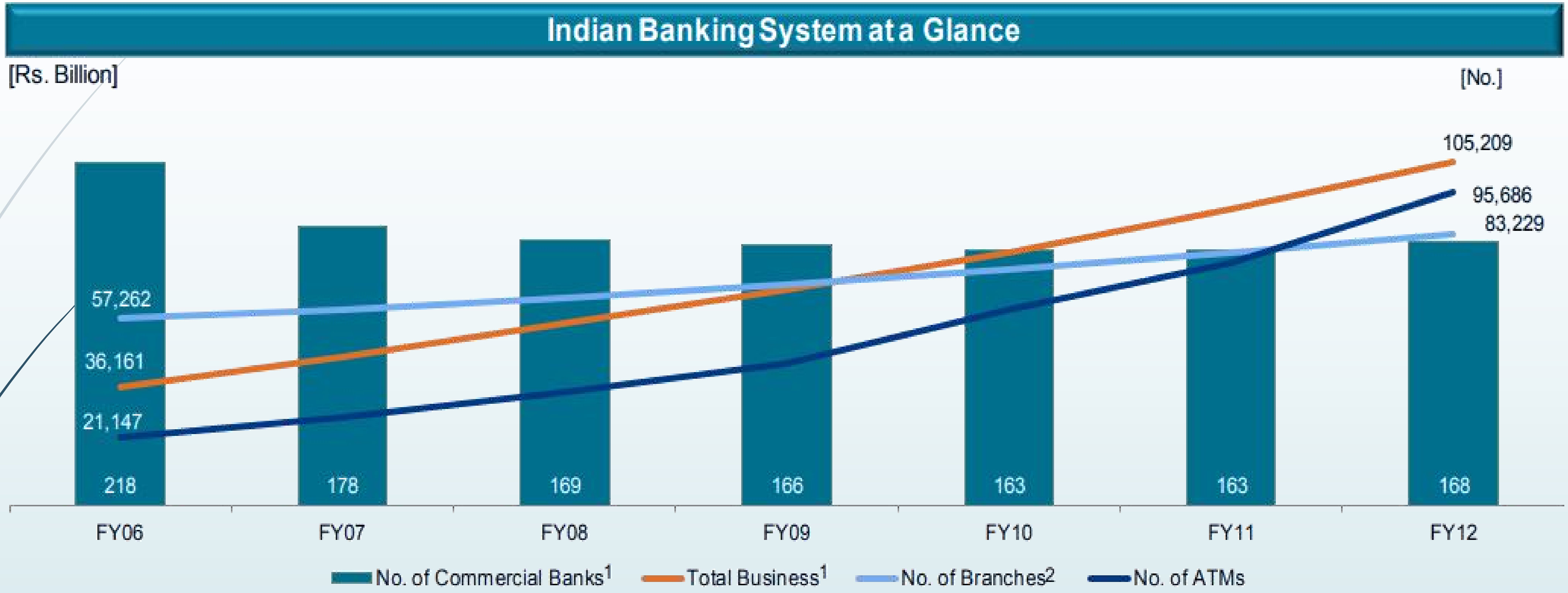
APEX BANKING INSTITUTE OF INDIA

The Central Bank, also known as National Bank or Reserve Bank in some countries, is an **apex monetary authority in a country**. It is an institution that manages and oversees a country's money supply, inflation and interest rates. It regulates the commercial banking system and acts as watchdog and regulator of other banks of a country. A Central Bank of a country acts as a banker and financial adviser to the government. Due to its pivotal role in the banking system, it is also known as **"lender of last resort".**

Reserve Bank Of India (RBI):

The Reserve Bank of India (RBI) is **the apex monetary Institution** which controls Indian Rupee, monetary policy and banking system in India. The central Bank was first established in the year 1935 under the Reserve Bank of India Act, 1934. After India's independence, the RBI was nationalized on 1 January 1949. In the year 1974, RBI became the member of Asian Clearing Union, an institution established by United Nations Economic and Social Commission for Asia and the Pacific (ESCAP). RBI plays a vital role in the developmental strategy of the Government as it regulates the monetary policy of the country.

AN OVERVIEW OF INDIAN BANKING SYSTEM



- There were 168 Commercial Banks in India as at end of March 2012, out of which 26 were Public Sector Banks ("PSBs") contributing 75.0% of business, 20 were private banks contributing 18.0% of the business and 40 were foreign banks contributing 5.0% of business. Other banks contributed merely 2.0% of the total business
- The branch and ATM network has increased consistently with ATMs growing faster than branches indicating increased usage of technology facilitating greater reach

STRUCTURE

Central Bank and Monetary Authority

- Reserve Bank of India

Apex Banking Institutions

- IDBI
  - SIDBI
- NABARD
- EXIM BANK
- IIBI
- NATIONAL HOUSING BANK

Banking Institutions

- Commercial Banks
  - Public Sector
    - State Bank Group
      - SBI
        - Subsidiary Companies
      - Subsidiary Banks
    - Nationalised Banks
      - Subsidiary Companies
  - Private Sector
    - Indian
      - Old Banks
      - New Banks
      - Local Area Banks
    - Foreign
- Regional Rural Banks
- Co-operative Banks
  - State Co-operative Banks
    - Central & District Co-operative Banks
      - Primary Credit Societies

Development Banks

- Industrial Development Banks
  - All India
    - IFCI
    - ICICI
    - Subsidiary Companies
  - State Level
    - SFC
    - SIDC
- Land Development Banks
  - State Level Land Development Banks
    - Primary Land Development Banks

ARCHITECT OF INDIAN FINANCIAL SECTOR

- Played apex role in providing project finance over four decades—India's No.1 Developmental Financial Institution (DFI)
- Policy bank for Government of India in the area of industrial and infrastructure development
- Institution builder
  - EXIM Bank and SIDBI were departments of IDBI—carved out of IDBI into separate institutions

NSE

Electronic Stock Exchange (5.0% stake)

SIDBI

Small Industries Development Bank of India

Funding Institution for MSMEs (19.2% stake)

EXIM BANK

A bank to Finance Export Import (Equity Holding with GOI)

NSDL

National Securities Depository Limited

Securities Depository (30.0% stake)

Arcil Premier ARC

Asset Reconstruction Company (19.2% stake)

CARE Ratings

Rating Agency (17.1% stake)

SHCIL Services Ltd.

Stock Holding Corporation of India Limited

Depository Participant, e-stamping etc. (19.0% stake)

NEDFi

North Eastern Development Finance Corporation

For development of North-East Region

IDBI (INDUSTRIAL DEVELOPMENT BANK OF INDIA

- IDBI stands for Industrial Development Bank of India. It is an Indian government-owned financial service company, headquartered in Mumbai. It was established in 1964 to provide credit and other financial facilities for the development of Indian industry. Its vision is to be a highly preferred and reliable bank enhancing value for all stakeholders.

  - Industrial Development Bank of India (IDBI Bank Limited or IDBI Bank or IDBI) was established in 1964 by an Act to provide credit and other financial facilities for the development of the fledgling Indian industry. Many national institutes finds their roots in IDBI like SIDBI, Exim Bank, NSE and NSDL.

  - Initially it operated as a subsidiary of Reserve Bank of India and later RBI has transferred it to Government of India. On June 29, 2018 Life Insurance Corporation of India (LIC) has got a technical go-ahead from Insurance Regulatory and Development Authority of India (IRDAI) to increase stake in IDBI Bank up to 51%.

IDBI BANK

HISTORY

1964 – 1993	1994 – 2002	2003 –2006	2007 – 2013
▪ **1964** – Set up by an Act of Parliament as a subsidiary of RBI ▪ IDBI had been a **Policy Bank** in the area of industrial financing and development ▪ **1976** – Ownership transferred to Government from RBI ▪ **1980 and 1990s** – Played a pioneering role in setting up the financial architecture of the country, besides being a catalyst for investment in industrial and infrastructure sector	▪ **1994** – IDBI Act amended to permit private ownership up to 49.0% ▪ **1995** – Domestic IPO, Government stake reduced to 72.0% ▪ **Late 1990s – early 2000s** – Changing environment gave commercial banks greater business opportunities	▪ **2003** – IDBI Repeal Act passed for conversion into a banking company ▪ **2004** – IDBI moved from its DFI status into a full-service commercial bank- named IDBI Ltd. along with mandate for development financing ▪ **2005** – Amalgamation of IDBI Bank Ltd. with IDBI Ltd. ▪ **2006** – Amalgamation of United Western Bank	▪ Complete networking (100.0% Core Banking) ▪ HR integration ▪ Organization structure redesigned on customer segmentation basis for better customer focus and effective business delivery ▪ **2008** – Name changed to IDBI Bank Ltd. ▪ **Jan 2010** – Opened first Overseas Branch at DIFC, Dubai ▪ **Jan 2011** – Merged its subsidiaries IDBI Homefinance and IDBI Gilts with itself. ▪ **Oct 2011** – Acquired additional 14.9% stake in IDBI Trusteeship Services; total holding 54.7%

IDBI BANK

OBJECTIVES

- (1) Co-ordination, regulation and supervision of the working of other financial institutions such as IFCI , ICICI, UTI, LIC, Commercial Banks and SFCs.
- (2) Supplementing the resources of other financial institutions and thereby widening the scope of their assistance.
- (3) Planning, promotion and development of key industries and diversifications of industrial growth.
- (4) Devising and enforcing a system of industrial growth that conforms to national priorities.

IDBI BANK

FUNCTIONS

- The IDBI has been established to perform the following functions-
- To grant loans and advances to IFCI, SFCs or any other financial institution by way of refinancing of loans granted by such institutions which are repayable within 25 year.
- To grant loans and advances to scheduled banks or state co-operative banks by way of refinancing of loans granted.
- To discount or re-discount bills of industrial concerns.
- To underwrite or to subscribe to shares or debentures of industrial concerns.
- To subscribe to or purchase stock, shares, bonds and debentures of other financial institutions.
- To grant line of credit or loans and advances to other financial institutions such as IFCI, SFCs, etc.
- To grant loans to any industrial concern.
- To guarantee deferred payment due from any industrial concern.
- To guarantee loans raised by industrial concerns in the market or from institutions.

IDBI BANK

SIDBI (SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA

- Small Industries Development Bank of India (SIDBI), set up on April 2, 1990 under an Act of Indian Parliament, presently acts as the Principle Financial Institution for the Promotion, Financing and Development of the Micro, Small and Medium Enterprise (MSME) sector .
- It also co-ordinates the functions of the institutions engaged in similar activities.. Presently, the Bank provides refinance support through a network of eligible member lending institutions for onward lending to MSMEs and direct assistance is channelized through the Bank's branch offices.
- SIDBI also extends financial assistance in the form of loans, grants, equity and quasi-equity to Non Government Organizations / Micro Finance Institutions (MFIs) for on-lending to micro enterprises and economically weaker sections of the society, enabling them to take up income generating activities on a sustainable basis.

SIDBI'S OBJECTIVE

- SIDBI majorly follows 4 major objectives which are Development, Promotion, Coordination and Financing. Some of its key functions include:

- SIDBI offers financial support to MSMEs, Small Scale Industries (SSIs), and other service sectors.
- It provides funding via banks, NBFCs, SFCs and other financial institutions.
- SIDBI aims to create equilibrium in the financial sector by strengthening credit flows and promoting skill development.

Functions of SIDBI (Small Industries Development Bank of India)

- 1. Small Industries Development Bank of India refinances loans that are extended by the PLIs to the small-scale industrial units and also offers resources assistance to them

- 2. It discounts and rediscounts bills

- 3. It also helps in expanding marketing channels for the products of SSI sector both in the domestic as well as international markets

- 4. It offers services like factoring, leasing etc. to the industrial concerns in the small-scale sector

- 5. It promotes employment oriented industries particularly in semi-urban areas for creating employment opportunities and thus checking relocation of people to the urban areas

Loan products offered by SIDBI

- SIDBI covers mainly 6 products under Direct Loans that are discussed below:

- SIDBI Make in India Soft Loan Fund for Micro Small and Medium Enterprises (SMILE)
- Smile Equipment Finance (SEF)
- Loans under Partnership with OEM
- Working Capital (Cash Credit)
- SIDBI Trader Finance Scheme (STFS)
- Loan for Purchase of Equipment for Enterprise's Development (SPEED)

Industrial Investment Bank of India Ltd. (IIBI)

- Industrial Investment Bank of India Ltd. (IIBI): The Industrial Investment Bank of India Ltd. (IIBI) was formed by transforming the Industrial Reconstruction Bank of India (IRBI).
- It was set up by IDBI at the instance of the Government of India in April 1971 for rehabilitation of sick industrial companies. IRBI was incorporated under the Companies Act, 1956 and renamed as the Industrial Investment Bank of India Ltd. in March 1997.

- IRBI functions as the principal credit and reconstruction agency for industrial revival by undertaking, modernization, expansion, reorganization, diversification or rationalization.

HISTORY

- It was established in 1971 by resolution of the Parliament of India u/s 617 of the Companies Act.[1] The bank was headquartered at Kolkata and had presence in New Delhi, Mumbai, Chennai, Bengaluru, Ahmedabad and Guwahati.

- The Industrial Reconstruction Corporation of India Ltd., set up in 1971 for rehabilitation of sick industrial companies, was reconstituted as Industrial Reconstruction Bank of India in 1985 under the IRBI Act, 1984. With a view to converting the institution into a full-fledged development financial institution.

- In 2005, a merger was considered of IIBI with the Industrial Development Bank of India and Industrial Finance Corporation of India, but IIBI refused.[3] After the merger was refused by IIBI, the Indian government decided in 2006-2007 to close down the bank instead.

OBJECTIVES

- Rapid industrial growth
- Encouraging entrepreneurs
- Balanced regional growth
- Filling gaps
- Coordinating activities of financial institutes for promoting industries.
- Increased national income.

FUNCTIONS

- IIBI offers a wide range of products and services such as:
- Term-loan assistance for project finance.
- Short duration non-project asset – backed financing working capital/ other short term loans to companies.
- Equity Subscription Asset Credit.
- Equipment finance.
- Term-loan assistance for project finance.
- Short duration non-project asset – backed financing working capital/ other short term loans to companies.

POWERS

- The IIBI is empowered

- (i) to grant loans and advances to industrial concerns,
- (ii) to underwrite stocks, shares, bonds and debentures,
- (iii) to guarantee loans/deferred payments and performance obligations of any contracts undertaken by industrial concerns, and
- (iv) to act as an agent of Central and State Governments, Reserve Bank, State Bank, Scheduled Commercial and State Cooperative banks, public financial institutions, SFCs, etc.

CONCLUSION

- From the above descriptions we concluded that India's commercial banks are facing serious financial stress which has weakened the banking system. Non-performing Assets (NPAs), banking scams and scandals have become the norm in Indian banking sector. A trust deficit is developing in the banking sector as regulations and governance have not been able to arrest the decline.

- This can be the right time to establish a National Development Bank (NDB) in India to re-industrialize India and de-stress the banking sector,. Thus government experienced the need to form development banks thus various development banks were formed i.e NABARD ,NHB,IDBI,SIDBI,EXIM etc. Which have been showing positive results.

THANK YOU

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