Accords

The article explains what accords are in banking concepts. It also discusses Basel I accord, Basel II accord, and Basel III accord and their concepts.

Table of Content

Accords mean granting someone the powers necessary for delegation of authority and responsibilities. It is considered an official arrangement or agreement. Accords can be seen as treaties. In banking, accords are agreements that describe regulations and rules. Conditions for banking transactions and other requirements are mentioned in these accords. Accords in banking are very important documents. These agreements mainly provide risk management. It provides financial advice and regulatory measures for risk minimising. These accords in banking institutions are in the form of Basel Accords. These Basel accords are regulated and managed by the BCBS or Basel Committee on Bank Supervision.

Accords

Accords in banking institutions are in the form of Basel Accords. It is considered an official arrangement or agreement. Accords can be seen as treaties. These agreements mainly provide risk management. It provides financial advice and regulatory measures for risk minimising. These Basel accords are regulated and managed by the BCBS or Basel Committee on Bank Supervision. The accords are sequential banking agreements. There are three kinds of accords:

- Basel III Accord
- Basel II Accord
- Basel I Accord

These accords provide possible protection from sudden losses. It also provides financial institutions with recommendations on mitigating risks. It helps financial institutions like banks to know how to safely expand their operating base.

Basel I Accord

This was the first deliberation on the accords. These deliberations took place in 1988. In this accord, capital requirement ceilings were fixed by banks centrally located. G10 members had participated in this deliberation of formulating the accords.

Basel III Accord

The Basel III accord came about as a response to the critical failure of the global economy experienced in 2008. The response in the form of the accord came about in 2010. Basel 3 accord was formulated from the responses and deliberations provided by all the G10 members. The critical failure of the global economy in 2008 was seen to be due to:

- The banking industry was overleveraged
- There was poor and negligent governance
- Risk management was not handled properly
- Real estate and housing mismanagement
- Incentive structure was not properly managed

The provisions that were introduced by Basel III accord are:

- All banks would have minimum common equity
- Separate instructions and requirements were provided to banks which were deemed important banks in the systematic operations
- A minimum certain liquidity ratio was also provided in Basel 3 accord

Basel II Accord

Basel II accord is the first update to the original document. It was the framework upon which the Basel II accord was based. The Basel II accord is an important document. It revised lots of critical areas that needed to change with time. It is also known as Revised Capital. Basel II accord provides an updated framework for capital transactions. It introduced 3 key changes or amendments:

- Disclosure and transparency were made crucial in encouraging market disciplining

- Capital requirements were given a ceiling in the Basel II accord
- A separate system of supervision and regulation was mandated in the Basel II accord by which financial institutions would be evaluated

Basel III Accord

Basel III Accord is an important aspect of the accords. It is the same as Basel III Accord. Basel III Accord is a voluntary framework. It was formulated from the responses and deliberations provided by all the G10 members.

Risks Mitigated by Accords

Many risks are mitigated by the accords. Primarily, the accords are concerned with three main areas:

Capital Risk	Operational Risk	Market Risk
1. Investment failures	1. Losses incurred due to functional errors	1. Changes in prices of products
2. Problems in product lines	2. Damages incurred	2. Fluctuations in foreign exchange
3. Disruptions in cash flow	3. Breaches	3. Fluctuations n rates of interests

Conclusion

Thus, the Basel Accords aids in the functioning of the central banks and other financial institutions across G10 members economies. These Basel accords are regulated and managed by the BCBS or Basel Committee on Bank Supervision. The accords are sequential banking agreements. The central banks are the institutions that regulate the proceedings of other banks in the country through their monetary policies. So, ways of improving the national economy must be adopted into the infrastructure. It also helps in international financial transactions.

Bad Loans

Bad Loans are loans in which the borrowers cannot make a repayment. NPL status is given if the loan is not paid for a predetermined length of time (typically 90 or 180 days).

Table of Content

Bad loans are loans in which the borrower defaults because they have not made their scheduled payments for a predetermined amount of time. Although the specifics of a loan's Non – Performing status can vary, "no payment" is typically described as a failure to pay either the principal or interest on a loan. Each sector and loan type has its unique timeframe for loan payments. For the most part, it's 90 or 180 days. When a bank decides to sell its bad loans to free up capital and to focus on loan performance that generates income, this is one option they may consider.

Bad Loans Meaning

Loans from a bank that have not paid interest for more than 90 days are known as Bad Loans or Non – Performing Assets (NPAs). In other terms, a loan is considered a non-performing asset (NPA) if the bank ceases receiving payments on the principal and interest for more than three months.

How do Bad Loans work?

Financial institutions must disclose their Bad Loans or Non – Performing Assets (NPAs) in their Consolidated Statements of Operations. After a long period of non-payment, the lender will require the borrower to liquidate any assets pledged as part of the debt deal. If no assets were pledged, the lender may write off the asset as a bad debt and then sell it to a collection agency for a discount.

Non – Performing Debt or Bad Loan is typically defined as debt that has been unpaid for 90 days or more. In general, loans have a 90-day grace period; however, particular loan terms and conditions can make this period shorter or longer. If the loan does not pay off, it will be categorised as a Non – Performing Asset.

Bad Loans or Non – Performing Loans can severely impact a lender's financial position. The lender's cash flow is disrupted if the borrower fails to pay interest or principal. Provisions for loan losses lower the capital available for future loans to other borrowers. Defaulted loan losses are written off against earnings once the true extent of the damage is known. Regulators can tell if a bank's financial health is in jeopardy if it has many Non – Performing Assets (NPAs) on its books.

Types of Bad Loans

Term loans are the most common type of Non – Performing Asset, but many others.

An OD/CC Account has been out of service for more than 90 days.

Interest or principal instalment payments on short-duration agricultural advances are more than two crop/harvest seasons late or one crop season late for long-duration agricultural advances.

Payment is more than 90 days past due on all other accounts.

Bad Credit

When a person has a history of not making regular payments on their debts, they have bad credit history. A bad credit score is frequently the result. If a business has not paid its bills on time, it may have bad credit.

Bad credit history makes it difficult to borrow money, especially at low-interest rates. This is due to the lender's perception of the borrower as riskier. It is true for both secured and unsecured loans, but there are solutions for the latter.

Credit score

A credit score can be defined as a three-digit figure between 300 and 900 that reflects a borrower's creditworthiness. Potential lenders in India use credit scores calculated by CIBIL TransUnion, Experian, Equifax, or CRIF High Mark to determine if a loan can be granted to a customer. Borrowers with good credit scores are more likely to get loans than those with bad ones. With credit ratings, it can be known how much credit someone has, how much is used, how long their prior obligations were due, and so forth.

The credit bureaus provide a numerical representation of your creditworthiness, a credit score. TransUnion CIBIL, Equifax, Experian Credit Information Company, and High Mark Credit

Information Service are the four credit bureaus responsible for calculating it. To calculate credit ratings, each credit bureau uses a unique methodology. To calculate the credit score, they consider various aspects, including credit history, payment history, and more.

Factors affecting Credit Score

Payment History –

One of the most significant aspects in determining your creditworthiness is the payment history. If expenses and loan EMIs are paid on time, and consistently, it implies that the borrower is responsible with less danger of default.

Credit Utilisation Ratio –

The credit usage ratio heavily influences the credit score. The credit utilization ratio is the entire amount of credit utilized as a percentage of the total credit limit available. Divide the entire outstanding debt by the total credit limit to get a credit utilization ratio. To keep a high credit score, experts recommend that people should spend 30-40% of their credit limit.

Age of the Credit –

When calculating creditworthiness, credit history is also taken into account. As long as the borrower is careful with his credit in the past and continues to pay bills on time, his credit score will rise. Lenders can make an informed choice about whether or not to grant credit based on the long credit history.

Total Accounts –

Keeping a healthy mix of secured and unsecured credit accounts is critical. A credit mix can help you raise your rating. Even though it isn’t as significant as other elements, it cannot be overlooked. The sum of accounts shows how well managed both sorts of credit are. The credit score could be negatively impacted if a large amount of credit is taken out.

Loans for Bad Credit Score

Non-Banking Financial Institutions (NBFCs) –

Many NBFCs will provide a borrower loan even if his credit score is low; however, the interest rate may be a little higher on these bad CIBIL score loans. NBFCs, on the other hand, tend to be more lenient when it comes to credit scores. Credit scores as low as 360 have been approved for loans by several NBFCs.

Peer-to-Peer Lending (P2P) –

There are various online loans for bad credit scores. Several lending websites termed P2P websites give loans of up to Rs. 5 lakhs with tenures varying between 12 months and 60 months to those with a low credit score.

Conclusion

Bad loans are more likely to emerge when the economy is in a slump and defaults are at historically high levels. Borrower defaults occur when the loanee does not pay on time over an extended period (such as 90 to 180 days). Non-banks may sell performing loans to focus on the loans that generate monthly revenue. Trying to collect money from a defaulting borrower may not be as profitable as selling the loans at a discount. In addition to real estate investors, other banks and distressed debt investors may be interested in investing in non – performing loans

Bad Loans

Bad Loans are loans in which the borrowers cannot make a repayment. NPL status is given if the loan is not paid for a predetermined length of time (typically 90 or 180 days).

Table of Content

Bad loans are loans in which the borrower defaults because they have not made their scheduled payments for a predetermined amount of time. Although the specifics of a loan's Non – Performing status can vary, "no payment" is typically described as a failure to pay either the principal or interest on a loan. Each sector and loan type has its unique timeframe for loan payments. For the most part, it's 90 or 180 days. When a bank decides to sell its bad loans to free up capital and to focus on loan performance that generates income, this is one option they may consider.

Bad Loans Meaning

Loans from a bank that have not paid interest for more than 90 days are known as Bad Loans or Non – Performing Assets (NPAs). In other terms, a loan is considered a non-performing asset (NPA) if the bank ceases receiving payments on the principal and interest for more than three months.

How do Bad Loans work?

Financial institutions must disclose their Bad Loans or Non – Performing Assets (NPAs) in their Consolidated Statements of Operations. After a long period of non-payment, the lender will require the borrower to liquidate any assets pledged as part of the debt deal. If no assets were pledged, the lender may write off the asset as a bad debt and then sell it to a collection agency for a discount.

Non – Performing Debt or Bad Loan is typically defined as debt that has been unpaid for 90 days or more. In general, loans have a 90-day grace period; however, particular loan terms and conditions can make this period shorter or longer. If the loan does not pay off, it will be categorised as a Non – Performing Asset.

Bad Loans or Non – Performing Loans can severely impact a lender's financial position. The lender's cash flow is disrupted if the borrower fails to pay interest or principal. Provisions for loan losses lower the capital available for future loans to other borrowers. Defaulted loan losses are written off against earnings once the true extent of the damage is known. Regulators can tell if a bank's financial health is in jeopardy if it has many Non – Performing Assets (NPAs) on its books.

Types of Bad Loans

Term loans are the most common type of Non – Performing Asset, but many others.

An OD/CC Account has been out of service for more than 90 days.

Interest or principal instalment payments on short-duration agricultural advances are more than two crop/harvest seasons late or one crop season late for long-duration agricultural advances.

Payment is more than 90 days past due on all other accounts.

Bad Credit

When a person has a history of not making regular payments on their debts, they have bad credit history. A bad credit score is frequently the result. If a business has not paid its bills on time, it may have bad credit.

Bad credit history makes it difficult to borrow money, especially at low-interest rates. This is due to the lender's perception of the borrower as riskier. It is true for both secured and unsecured loans, but there are solutions for the latter.

Credit score

A credit score can be defined as a three-digit figure between 300 and 900 that reflects a borrower's creditworthiness. Potential lenders in India use credit scores calculated by CIBIL TransUnion, Experian, Equifax, or CRIF High Mark to determine if a loan can be granted to a customer. Borrowers with good credit scores are more likely to get loans than those with bad ones. With credit ratings, it can be known how much credit someone has, how much is used, how long their prior obligations were due, and so forth.

The credit bureaus provide a numerical representation of your creditworthiness, a credit score. TransUnion CIBIL, Equifax, Experian Credit Information Company, and High Mark Credit

Information Service are the four credit bureaus responsible for calculating it. To calculate credit ratings, each credit bureau uses a unique methodology. To calculate the credit score, they consider various aspects, including credit history, payment history, and more.

Factors affecting Credit Score

Payment History –

One of the most significant aspects in determining your creditworthiness is the payment history. If expenses and loan EMIs are paid on time, and consistently, it implies that the borrower is responsible with less danger of default.

Credit Utilisation Ratio –

The credit usage ratio heavily influences the credit score. The credit utilization ratio is the entire amount of credit utilized as a percentage of the total credit limit available. Divide the entire outstanding debt by the total credit limit to get a credit utilization ratio. To keep a high credit score, experts recommend that people should spend 30-40% of their credit limit.

Age of the Credit –

When calculating creditworthiness, credit history is also taken into account. As long as the borrower is careful with his credit in the past and continues to pay bills on time, his credit score will rise. Lenders can make an informed choice about whether or not to grant credit based on the long credit history.

Total Accounts –

Keeping a healthy mix of secured and unsecured credit accounts is critical. A credit mix can help you raise your rating. Even though it isn’t as significant as other elements, it cannot be overlooked. The sum of accounts shows how well managed both sorts of credit are. The credit score could be negatively impacted if a large amount of credit is taken out.

Loans for Bad Credit Score

Non-Banking Financial Institutions (NBFCs) –

Many NBFCs will provide a borrower loan even if his credit score is low; however, the interest rate may be a little higher on these bad CIBIL score loans. NBFCs, on the other hand, tend to be more lenient when it comes to credit scores. Credit scores as low as 360 have been approved for loans by several NBFCs.

Peer-to-Peer Lending (P2P) –

There are various online loans for bad credit scores. Several lending websites termed P2P websites give loans of up to Rs. 5 lakhs with tenures varying between 12 months and 60 months to those with a low credit score.

Conclusion

Bad loans are more likely to emerge when the economy is in a slump and defaults are at historically high levels. Borrower defaults occur when the loanee does not pay on time over an extended period (such as 90 to 180 days). Non-banks may sell performing loans to focus on the loans that generate monthly revenue. Trying to collect money from a defaulting borrower may not be as profitable as selling the loans at a discount. In addition to real estate investors, other banks and distressed debt investors may be interested in investing in non – performing loans

Bank Accounts and Special Individuals

The idea about the banking sector is important and to have the information regarding the bank and the components of the bank is mentioned in this article.

Table of Content

The concept of banking is very intriguing in that it is sure a major component in the life of a civilian that has to be compromised as the major factor for the development of the public and money they possess. The banking sector manages to deliver the major funding to business and helps to make sure that the nations are built up properly. It manages to deliver the proper system to helps larger citizens to deliver the proper service to make saving and the utilize the money future for better purposes with the help of it various ways,

Understanding the “banking concepts”

The understanding of the “banking concepts” is important in order to deliver the proper mechanism of the banking that can be evaluated that banking purpose is majorly subjective. The major factor over which the banking sector is based is some fundamental component that will be used to maintain the services. The “banking concepts” has some fundamental components that consist of the storage of cash, investments, transactions and credit facilities that helps to make the major functions regarding the services successful. The principle of the banking concept is compromised with a suitable factor that the borrower will have the money when needed instead of interest. Banking is the party of the key economic components as it manages to deliver the investments service to a large number of people in order to have the major functions to conduct productive investments in future to help a large number of people.

Analyzing different forms of “bank accounts” and types

The bank provides different services to the clients and thus they need methods of various services in order to provide the fundamental way to tackle the majority for better allocation to make sure that the services can be managed in order to maintain the quality relationship between the organization and the customers. In order to have the services from the bank, it is important to open a “bank account” with a proper verified document that can be used in a proper manner. It is observed that there are nearly 6 different types of bank accounts that can be opened and all with various functions. The types of accounts that can be found in “banking concepts” are “saving account”, “current account”, “salary account”, “fixed deposit account”, “recruiting deposit account”, and “NRI accounts”. All of these banking accounts have a different purpose and the ways in which it is regulated. In order to deliver the service very prominently this type of method has been taken.

Procedure to “open bank accounts”

Opening a bank account is not very hard; it needs some documents to be verified and a specific form has to be submitted in order to deliver the service a proper touch of professionalism. It is observed that the procedure of opening a bank account starts from the choice of the individuals in which the banking service is willing to have in order to deliver the services. Then it leads to filling up the forms and documentation verification that majorly requires pan card, Aadhar card, address proof, nationality proof and id proofs. It is important to choose the service that can be used to make sure that specific thing that is required can be provided to the individuals. It can be said that the proper verification of the documents will be verified by the organization to manage the services for the company in order to deliver the proper service to the customer.

Evaluating the “interest rate of saving account”

The interest rate of the savings account is considered the lowest of all the accounts in a bank. Different banks have different interests in the case of their savings account and it is generally lower than other prices that have to be delivered to the company. For example The “State bank of India” states that the interest in the organization is 2.70% per annum which is lower than their different service account that is in the company. Other banks in India have saving account rates between 3 to 6% per annum basis. The “banking concept” provides the idea that the saving rates in the bank are getting lower and lower every significant day.

Conclusion

The banking concepts are majorly used elaborate with various components that are the key elements of this. It is known that banking is a major key component of the economy and thus it is important to know about the elements and address how to utilize the crucial knowledge into saving and making the factor for using the proper knowledge used in a specific manner. The rate of the savings account is very low and this is why it is important to make sure that the investments are done in specific banks for a better understanding of the place and the services that may be helpful for the people to understand. There are 6 major types of banking accounts and these accounts are oriented with the fact that each and every account will be providing separate services to the customers. Opening a banking account has been described separately.

Banking Ombudsman

If you are interested in knowing about the banking ombudsman. then this guide will help you learn facts and details about it. Know about banking ombudsman act, banking ombudsman complaint and lot more.

Table of Content

The Banking Ombudsman, a quasi-judicial body, was established with the goal of resolving customer complaints. The Banking Ombudsman Act/Scheme is governed by Section 35A of the Banking Regulation Act of 1949. The Banking Ombudsman Scheme 2006 was established in 1995 and is now in operation. Scheduled Commercial Banks, Regional Rural Banks, and Scheduled Primary Co-operative Banks are all covered under the plan. The RBI recently expanded the concept of a Banking Ombudsman to include NBFCs.

Types Of Complaints Lodged With The Banking Ombudsman

Customers who are dissatisfied with their banking services can file complaint Banking Ombudsman complaint.

Non-payment or unjustifiable delays in the payment/collection/issuing of checks, draughts, bills, and other financial instruments;

Non-acceptance of small denomination notes and coins offered for any purpose without proper reason, and the imposition of a commission;

Inward remittances that are not paid or are paid late;

Non-compliance with established working hours;

Delay or failure by the Bank to supply any financial facility (other than loans and advances) that was promised in writing.

With respect to the rate of interest on bank deposits, delays/non-credit of proceeds to respective parties' accounts, non-payment of deposit, or non-observance of RBI instructions

NRIs with accounts in India have complained about their remittances from overseas, deposits, and other bank-related issues.

Refusal to open deposit accounts without providing a good explanation

Imposing fees without providing proper warning to the customer

The bank's or its subsidiaries failure to follow RBI instructions on ATM, Debit Card, Prepaid Card, and Credit Card operations in India.

In India, non-compliance with RBI instructions on mobile banking and electronic banking services.

Non-disbursement or a delay in the disbursement of a pension (to the degree that the grievance can be traced back to the bank's actions, but not to its employees);

Refusal or delay in taking tax payments as requested by the Reserve Bank/Government;

Failure or delay in issuing, servicing, or redeeming government securities;

Forced closure of deposit accounts without prior notification or adequate justification;

Accounts that are refused to be closed or are delayed in being closed

Not adhering to the bank's adopted fair practises code;

Banks' failure to follow Reserve Bank guidelines on the use of recovery agents;

Banks' failure to follow RBI requirements on allied-banking operations such as the sale of insurance, mutual funds, and other financial goods.

Any other issue relates to RBI directives not being followed

Procedure Of Filing A Complaint With Banking Ombudsman

To begin with, there is no charge for making a complaint with the Banking Ombudsman. Online, you can file a complaint with the Banking Ombudsman.

Points To Remember

The amount of compensation (award) provided by the bank to the complainant (the person filing the complaint) as compensation for any loss caused by the complainant is limited to the lesser of the following amounts:

Losses incurred as a result of the Bank's actions or omissions.

20 lakhs rupees

In cases of mental anguish and harassment, the Banking Ombudsman has the authority to pay the complaint compensation up to Rs. 1 lakh. The Banking Ombudsman will take the following criteria into account when making an award (paying compensation).

The complaint has squandered his time.

Complainant's out-of-pocket expenses

The complainant's harassment and emotional anguish

The Banking Ombudsman will attempt to resolve the issue through conciliation (agreement) between the aggrieved parties after receiving the complaint. If a complaint is not resolved through negotiation within a month, the Ombudsman will issue an award. Prior to doing so, the complainant and the Bank are given a reasonable opportunity to be heard.

If a person is dissatisfied with the Banking Ombudsman's decision, they have the option of filing an appeal with the Appellate Authority within 30 days of receiving the award. Furthermore, if the Appellate Authority is satisfied, a 30-day extension may be granted.

Conclusion

As of 2015, Banking Ombudsman handles practically all types of banking-related complaints. In 2009-2010, the team received 79,266 complaints, of which around 94 percent were resolved, with only 5-6 percent remaining unresolved for more than a quarter of a year. In India, there are currently 15 Banking Ombudsman. Customers can file a complaint with the BO in the region where their bank is located.

Basel I

Basel I is the first of the Basel committee's three Basel accords set up. It explains the benefits and limitations of Basel I and the key differences between the Basel accords.

Table of Content

Basel I is the first set of international banking regulations set up by the Basel Committee on Banking Supervision and is a part of Basel accords, including Basel II and Basel III. The accord’s goal was to standardise banking practices all over the world. Basel I mainly focuses on the goal of minimising credit risk. It was released in 1988 to provide a framework for risk management from a bank’s capital adequacy perspective. Its regulations were intended to improve the safety and stability of the bank system worldwide. Basel I is not much in use now, but it is laid out as a framework for Basel II and III.

Implementation

Basel, I was introduced in 1988, and countries of G10 followed it in 1992. Basel, I regulations improve the financial system’s stability by setting the optimum capital ratio required for international banks. It provided a simplified structure for overseeing credit risk by calculating the percentage of risk weighing of different assets. Banks having an international presence were required to maintain 8% of their risk-weighted assets as cash reserves. Basel, I classified risk-free assets based on risk weight percentage. The following points explain the classification in detail.

0% for assets such as Cash, Government debt, central bank debt, and government organisation debts.

10% for assets such as Central bank debt of countries with high inflation

20% for development bank debts

50% for municipal revenue bonds residential mortgages

100% for corporal debt

Tier 1 capital refers to fixed capital. It is at least 50% of the total bank’s capital. Tier 2 is short-term capital.

Benefits

Basel, I was the first international instrument for assessing the importance of risk concerning capital. It is a milestone in finance and banking history. Basel, I focused on lessening the credit risk to users, banks, insurance companies, and countries' economies. It substantially increased the capital ratios of the international banks and improved competitive equity. Basel, I had a simple approach that allowed widespread adoption worldwide. It provided a benchmark for financial evaluation for users of financial information.

Basel II was introduced after some time to remove the disadvantages and improve the Basel I regulations for the banks. Over 100 countries also adopted Basel I regulations after being enforced in G10 countries. Many banks continued to operate under regulations of Basel I structure instead of Basel II, which Basel III later preceded. The best thing about Basel I frameworks is that it provides ongoing adjustments in the banking regulations and practices, creating more protective measures.

Limitations

Basel, I was criticised for many issues. Some of them included limited differentiation of credit risk, which broadly classified RWA into four categories based on an 8% minimum capital ratio. It ignored the different levels of risks associated with different currencies and macroeconomic risks. The capital level charges were set on the same level regardless of the maturity of credit exposure. Basel I did not consider market risk, operational risk, liquidity risks. The assumption of taking an 8% capital ratio did not consider the changing nature of default risk. In this case, a solution that would be helpful was to form an internal credit risk model.

Basel II was introduced to mitigate the problems related to Basel I. The operational risk was negatively viewed, but later, the Basel Committee on banking supervision introduced operation risk management in Basel II. One of the improvements made in Basel II due to the criticisms of Basel I was that it allocated capital to cover operational risks and advocate an operational risk management system.

The key difference between Basel I, II, and III

The main difference between Basel I, II, and III was the different objectives they were established to achieve. Basel I was formed to explain a minimum capital requirement for the banks. Basel II introduced supervisory responsibilities and further improved the minimum capital requirements. Basel III focused on decreasing the damage done to the economy by the banks which take too much risk. While Basel I only focused on credit risk, Basel II focused on operational, strategic, and reputational risks. Basel III focused on liquidity risks, and the risks focused on Basel II.

Conclusion

Basel I is the oldest of the Basel accord released in 1988 to reduce the risks to consumers, financial institutions, and the economy. Basel II and Basel III preceded this. This article concluded that the Basel I accords is an important accord that is the foundation of subsequent accords. In Basel 1, the Basel committee had negatively defined operations risks while proposing the revision in subsequent accords. Basel II was made to refine the regulations and improve the regulation based on limitations and Basel III improved the regulations of Basel II.

Basel I

Basel I is the first of the Basel committee's three Basel accords set up. It explains the benefits and limitations of Basel I and the key differences between the Basel accords.

Table of Content

Basel I is the first set of international banking regulations set up by the Basel Committee on Banking Supervision and is a part of Basel accords, including Basel II and Basel III. The accord’s goal was to standardise banking practices all over the world. Basel I mainly focuses on the goal of minimising credit risk. It was released in 1988 to provide a framework for risk management from a bank’s capital adequacy perspective. Its regulations were intended to improve the safety and stability of the bank system worldwide. Basel I is not much in use now, but it is laid out as a framework for Basel II and III.

Implementation

Basel, I was introduced in 1988, and countries of G10 followed it in 1992. Basel, I regulations improve the financial system’s stability by setting the optimum capital ratio required for international banks. It provided a simplified structure for overseeing credit risk by calculating the percentage of risk weighing of different assets. Banks having an international presence were required to maintain 8% of their risk-weighted assets as cash reserves. Basel, I classified risk-free assets based on risk weight percentage. The following points explain the classification in detail.

0% for assets such as Cash, Government debt, central bank debt, and government organisation debts.

10% for assets such as Central bank debt of countries with high inflation

20% for development bank debts

50% for municipal revenue bonds residential mortgages

100% for corporal debt

Tier 1 capital refers to fixed capital. It is at least 50% of the total bank’s capital. Tier 2 is short-term capital.

Benefits

Basel, I was the first international instrument for assessing the importance of risk concerning capital. It is a milestone in finance and banking history. Basel, I focused on lessening the credit risk to users, banks, insurance companies, and countries' economies. It substantially increased the capital ratios of the international banks and improved competitive equity. Basel, I had a simple approach that allowed widespread adoption worldwide. It provided a benchmark for financial evaluation for users of financial information.

Basel II was introduced after some time to remove the disadvantages and improve the Basel I regulations for the banks. Over 100 countries also adopted Basel I regulations after being enforced in G10 countries. Many banks continued to operate under regulations of Basel I structure instead of Basel II, which Basel III later preceded. The best thing about Basel I frameworks is that it provides ongoing adjustments in the banking regulations and practices, creating more protective measures.

Limitations

Basel, I was criticised for many issues. Some of them included limited differentiation of credit risk, which broadly classified RWA into four categories based on an 8% minimum capital ratio. It ignored the different levels of risks associated with different currencies and macroeconomic risks. The capital level charges were set on the same level regardless of the maturity of credit exposure. Basel I did not consider market risk, operational risk, liquidity risks. The assumption of taking an 8% capital ratio did not consider the changing nature of default risk. In this case, a solution that would be helpful was to form an internal credit risk model.

Basel II was introduced to mitigate the problems related to Basel I. The operational risk was negatively viewed, but later, the Basel Committee on banking supervision introduced operation risk management in Basel II. One of the improvements made in Basel II due to the criticisms of Basel I was that it allocated capital to cover operational risks and advocate an operational risk management system.

The key difference between Basel I, II, and III

The main difference between Basel I, II, and III was the different objectives they were established to achieve. Basel I was formed to explain a minimum capital requirement for the banks. Basel II introduced supervisory responsibilities and further improved the minimum capital requirements. Basel III focused on decreasing the damage done to the economy by the banks which take too much risk. While Basel I only focused on credit risk, Basel II focused on operational, strategic, and reputational risks. Basel III focused on liquidity risks, and the risks focused on Basel II.

Conclusion

Basel I is the oldest of the Basel accord released in 1988 to reduce the risks to consumers, financial institutions, and the economy. Basel II and Basel III preceded this. This article concluded that the Basel I accords is an important accord that is the foundation of subsequent accords. In Basel 1, the Basel committee had negatively defined operations risks while proposing the revision in subsequent accords. Basel II was made to refine the regulations and improve the regulation based on limitations and Basel III improved the regulations of Basel II.

Bombay Stock Exchange (BSE)

Bombay Stock Exchange (BSE) Mumbai is India's financial capital. It's the oldest in Asia, the fastest and the 7th largest globally.

Table of Content

What is a Stock Exchange?

A stock exchange refers to the market wherein shares and securities are bought and sold. In the way we go to the shopping market to buy groceries, stock exchanges are mainly for trading in securities. All companies that are public for trading are listed on the stock market. Shares of these companies can be bought and sold in the stock market. It is operated by stockholders and stockbrokers and a wide array of individuals serving different purposes in the market. In India, the stock market is regulated and supervised by the Securities and Exchange Board of India, or SEBI for short. All companies in India must abide by the rules and regulations set by SEBI when stepping foot into public trading, meaning the stock market.

What is the Bombay Stock Exchange (BSE)?

The Bombay Stock Exchange (BSE) is the oldest premier stock market in Asia, with roots connecting back to 1875. Upon its establishment, it was known as the Native Share & Stock Brokers' Association. Most traders in India primarily use either the BSE or the National Stock Exchange (NSE). It functions as a company with a chairman and a board of directors.

As a company, BSE believes in transparency and efficiency above all else. In finance institutions, these are two of the most highly needed qualities. Its board and SEBI helps to maintain these qualities of the BSE, making it a very conducive market for growth. BSE has recently launched its India INX exchange in line with the vision of the union government. This is India's first stock exchange market meant for international trading. Although India INX is located in Ahmedabad, Gujarat, it is run and managed by the Bombay Stock Exchange today. Additionally, this stock exchange is a parent company to various other subsidiaries dabbling in matters such as education and corporate social responsibility (CSR).

Bombay Stock Exchange Today and Before

One of the most impressive feats of the Bombay Stock Exchange is that after almost 150 years of existence, it is the fastest stock market in the world. Today, about 5000 companies have their shares listed on the BSE. Its reach is furthered wherein EUREX (European Stock Exchange) and BRCS (Brazil, Russia, China and South Africa) countries trade at the BSE. Additionally, StAR MF is BSE's platform for managing the mutual funds of lakhs of people.

You may have heard the phrase "cost of downtime" if you are familiar with IT and related services in businesses. A company can lose crores if its servers are down, even just for a few minutes. In the same way, the faster the operations, the more money can be earned. The Bombay Stock Exchange functions at a speed of 6 microseconds. This means that crores of rupees are being traded, and shares worth that much is being handled by its stockbrokers at any given moment in this market. A decade ago, the BSE was aiming to bring down their speed to 15 microseconds. The reduction down to 6 microseconds shows us immense and steady progress from its conception.

When the Bombay Stock Exchange was called 'The Native Share & Stock Brokers Associations', it was in the mid-1850s. Trades were conducted by a group of men sitting under a large banyan tree at present-day Horniman Circle in South Bombay. In 1875, this group was formalised as the

Bombay Stock Exchange. Until this time, these men sat at different banyan trees around the city.

In January 1899, the founders of BSE and their proteges inaugurated what was called the Brokers' Hall, their first office. Post World War I, a building was constructed at Horniman Circle on what would later be called Dalal Street – this building houses the Bombay Stock Exchange address today. The name 'Dalal Street' comes from that 'Dalal' in Marathi refers to 'broker'.

Conclusion

All in all, the Bombay Stock Exchange (BSE) is the seventh-largest stock exchange in the world, with a value of tens of lakhs of crores of rupees. Bombay is called the financial capital of India because critical financial institutions such as the BSE were formed here. It happens to be the fastest stock exchange globally and the oldest one in Asia. This is all the more impressive because these stats also consider India's National Stock Exchange.

Cash Management Services

The practice of collecting and managing cash flows is known as Cash Management. People and organisations find various services to help with cash management needs across the financial industry.

Table of Content

Introduction

Usually, "cash management" and "treasury management" are interchangeable. They're considered as "just another product" that banks supply. Wire transfers, sweep accounts, or merchant services are cash management tools that allow business owners different ways to increase revenues, but they're not the same. And here is whatever you need to know about cash management and how it might help you regain your cash flow if you're a business owner seeking strategies to tackle liquidity concerns. Let's take a closer look at cash management services.

What are Cash Management Services?

The term “cash management” refers to the day-to-day processes of such a banking institution’s cash inflows and outflows. You must manage them due to the large number of cash transactions that occur regularly. The ultimate purpose of cash management is to increase liquidity while lowering funding costs.

Why is Cash Management Essential for my Company?

Cash management services are essential for establishing and maintaining a company’s financial performance. Because “cash” is the principal asset used to pay debts (whether you’re an individual or a business), it needs to be handled carefully to optimise profits. It affects the company’s future growth. Managing cash balances and earning a return on cash flow are other significant determinants. Cash management is frequently integrated with your company’s online banking. As a result, you and your business administrators will also have 24-hour, seven-day access to the funds. You will have more influence over your cash flows and access if you fully connect your business with online banking. Because each organisation is unique and may require a distinct set of cash management tools and services, this is usually adjustable.

Is There a Difference Between Cash Management and Treasury Management?

Cash management and treasury management were phrases used during banking to describe services that deal with cash flow. Even though each of these phrases is often used interchangeably, Treasury Management concerning a company’s fundraising and investment operations. Wire transfers, sweep accounts, merchant accounts, and company credit alternatives are commonly referred to as “cash management” services by financial analysts.

What is the Significance of Cash Management Services in a Business?

It enables businesses to remain successful through times of low activity, including economic downturns, and stay in business. If your company has not met its monthly operating and payment standards, you are not secure. As a result, any economic downturn or revenue loss could be disastrous. Poor cash management can lead to debt and monthly operational expenses falling behind, making it very difficult to get back on track. When times are tough, a cash flow deficit might prevent handling payroll. Employees would not work when they’re not paid. Your company has a small probability of recovering if your cash flow troubles reach the point.

Benefits of Cash Management Services

Allows for sufficient funds for purchases and other needs.

The ability to meet cash flow requirements.

Enables capital expenditure making plans.

Leads to better financing options.

Allows you to make one-of-a-kind purchases and capitalise on investment opportunities.

It makes it easier to invest.

Having an Effective Cash Flow Management System in Place

Measuring liquidity, or the amount of cash on hand to meet the current financial commitments, is one of the initial steps in cash flow management. Then it would be best if you created a cash flow. It enables you to handle cash both from a daily and long-term perspective. Also, use cash management planning for both short & long objectives. Regular monitoring of how you spent money is more accessible with historical cash flow statements. Keeping track of how money was spent in the past and knowing your present liquidity can help you manage cash flow more effectively. Knowing where your money comes from and goes is essential for managing your cash flow.

Keeping Track of Money

It is crucial for both immediate and long-term cash flow management. Cash shortages are reduced by ensuring that existing debts are managed. Making better investment decisions ensures that cash is available when needed. If you buy in long-term stock, you won’t be able to invest in something that pays off quickly. Additionally, paying your payables on time keeps your suppliers’ cash flow flowing & prevents them from raising your pricing on critical things. You can assist to guarantee that the economy functions more smoothly for everyone by correctly controlling your financial flow.

Conclusion

Suppose you don’t take steps to ensure that cash management is actively controlled. In that case, it can just ‘happen.’ Any big organisational transformation can cause significant disruption (which is why banks typically consider the cash management business a ‘sticky’ annuity business). A solid cash management programme can considerably improve operational efficiency while lowering overall costs. Most cash management systems seek to remove cash-related surprises by satisfying daily cash requirements at the lowest possible price. I hope now you understand all about cash management services. By reading this information, you will understand clearly.

CIBIL

CIBIL ratings are your actual credibility systems. Know everything from scratch about this unique rating system.

Table of Content

Are you planning for investment and need to take a loan? Are you the one who is afraid of the hefty procedure for applying for a loan and therefore refrain yourselves from doing so most of the time? Don’t worry. Probably you have not heard of CIBIL. Here is a comprehensive guide to CIBIL which will help you figure out an easy way out.

Full Form of CIBIL

The full form of CIBIL is Credit Information Bureau India Limited. This is a verified agency managed by the Reserve Bank of India and calculates the credit score of any individual. CIBIL provides accurate information about the credibility of an individual by designating a certain score to him or her.

The CIBIL Score

The CIBIL score is a 3-digit number allotted to any specific person and is calculated on the basis of the individuals’ past history of borrowing and repayments. This score is generated by taking a close look at the credit history of the person concerned. CIBIL scores usually lie in the range of 300-900. So, the higher the score or nearer to 900, the more credible a person is considered and the easier he or she gets loans approved.

The CIBIL Report

The CIBIL report is a credit report that includes all the details regarding the credit score of the individual including the CIBIL score, credit history, personal information, employment details, and loan account information. So, it is a reliable instrument for the lending institutions to know about the person’s eligibility to take loans.

Factors affecting CIBIL Score

Past history of Credit Repayments

This is the biggest factor that contributes to generating a good credit score. It is based on how you have managed your credit histories, how and when did you pay off the debts, and in how much time. If you are a regular payer, then your credit rating will improve, and vice-versa.

Credit Age

This is calculated from the first day you take a loan or a credit card. It entirely depends on the duration of having a credit history. The higher your credit age, the more is your credibility.

Errors in Credit Report

Any mistakes in your credit report like the incorrect mention of loan details/ credit history or anything of that sort may have an adverse effect on the credit rating. Therefore, it is necessary to check the CIBIL credit report from time to time to rule out any errors.

Credit Utilisation Ratio

This denotes the credit limit of the individual and the amount utilized from the limit. Although it is advised to maintain the credit utilization ratio below 30 %, a larger ratio is not going to create a wider impact on the credit score.

Number of times applied

The credit rating of an individual is also dependent on the number of times he or she has applied for credit cards. The more times an individual applies for credit cards, the more vigilant lenders become to analyze the reason behind it.

Advantages of High CIBIL Score

Quick loan approvals

Affordable interest on loans

Higher credit limit on the cards.

Pre-approved loans are approved easily.

Better discounts on sanctioning fees and all.

Better and useful rewards.

How to build a Good Rated Credit Report ?

Always clear dues on time to avoid any bad rating.

Using a credit card on a frequent basis can make things worse. Always try to manage your expenses within the amount you have.

The credit report should be a consolidated mix of secured loans and unsecured loans. Too much of unsecured loans can affect your CIBIL score.

Keep a check on all the accounts associated with your credit cards. Any missed payments should be made as early as possible.

Always be vigilant of the entries in your credit report. In case of any discrepancy or error, you can lodge your grievance on the CIBIL website.

Importance of CIBIL Score in the Loan Application Process

A fair CIBIL score is always handy when you are expanding your investment instruments.

Lenders out there do not know you and all the information they have is your credit report. So, maintaining a good score helps you in the timely approval of loans or any credits. It is important to maintain a good profile and grab better opportunities so that it will be worth saying- “You earned it”!!

Conclusion

CIBIL is also looking forward to setting up a “fraud Repository”. This system will help CIBIL to store the names of all the borrowers who are associated with any bank frauds with any banks or other financial institutions.

Green Banking

Green banking is a new notion that contributes to environmental sustainability. This article focuses on the meaning of Green Banking, Green Banking in India and the benefits of Green Banking.

Table of Content

Economic growth is influenced by the banking industry, both in terms of quantity and quality, resulting in a shift in the nature of economic growth. Green banking may help banks obtain a competitive edge in the industry by making an impact in their strategy-making process. Green banking is a proactive technique of conserving energy and protecting the environment. The primary advantage of green banking is that it protects the environment for future generations. Green banking minimizes paperwork to the greatest extent possible and concentrates on electronic transactions such as ATM, mobile banking, and other forms of electronic banking by customers. Electronic transactions not only contribute to sustainability, but they also give convenience to both clients and banks.

Meaning of Green Banking

Green banking refers to the promotion of environmentally friendly practices and the reduction of the bank's carbon footprint. It's similar to a traditional bank because it examines all social, environmental, and ecological concerns with the goal of protection and conservation of natural resources and the environment.

The primary goal of this banking concept is to improve the conservation of the earth's environment, habitats, and resources. What is the best way to go about it?

Encourage people to use online banking instead of branch banking.

Online bill payment.

Using online banking instead of huge multi-branch banks to open CDs and money market accounts.

green bank is a governmental or quasi-public financial entity that works with the private market to promote the development of clean energy technology using innovative financing approaches and market development instruments.

Advantages of Green Banking

Ethical (Green) banking, in general, eliminates as much paper as possible and instead relies on online/electronic transactions to complete transactions, resulting in green bank cards and green mortgages.

Less paperwork implies fewer trees will be taken down.

Increasing business people's knowledge of environmentalism so that they can engage in environmentally beneficial business practices.

Environmental norms for lending are adopted and implemented by green (ethical) banks, which benefit future generations.

When you are given a mortgage, the interest rate is lower than it would be with a traditional bank since ethical banks place a higher value on environmentally favorable variables such as ecological gains.

Green banks place a higher value on environmentally friendly variables such as ecological gains, resulting in lower lending interest rates.

All new clients who open “green accounts” will receive cashback.

Green Banking in India

In recent years, Indian banks have noticed the developing tendency and have significantly altered their operational tactics. The Indian banking industry has faced numerous problems, including changes in customer behavior, technology advancements, regulatory changes, and so on. It has gone through a series of challenges and has learned to adapt to changing circumstances. Going green is a new notion in India, and Indian banks have embraced it in a variety of ways. The following are the different banks in India that offer green banking services to their users.

SBI has begun to implement a green banking policy. This is India’s first green bank, specializing in going green and encouraging green energy projects.

Punjab National Bank: They’d made a number of efforts to reduce emissions and energy use.

Bank of Baroda: They had undertaken a number of green banking efforts, including the funding of a commercial project. BOB prefers green initiatives that are environmentally benign, such as windmills, biomass, and solar electricity, because they assist in collecting carbon credits.

Canara Bank has incorporated eco-friendly measures like mobile banking, online banking, telebanking, and solar-powered biometric processes as part of its green banking effort.

Loans

The credit amount which is borrowed with the promise of returning the amount within a specified period is known as a loan. Loans are again categorised into Secured Loans and Unsecured Loans.

Table of Content

Introduction

When we were in school, we often faced a situation where our pen ink ran out or we forgot our pens at home. What do we do at that time? We simply ask for a Pen from our friend, which is often termed as Borrowing. However, this "borrowing" is interest-free. You don't necessarily give a treat, or pay them in cash while returning the Pen. You just greet them with a warm thank you!

The loan is quite similar. When we need a large amount of money for various purposes, we tend to turn our thoughts towards applying for a loan. It is often said that a financially successful person knows when to apply for a loan- when it is a good solution to the problem they are facing. However, it can be said that Loans can trouble you when you cannot necessarily afford to pay them back, along with the Interest amount.

It is considered that Bank Loans are safe as compared to other ways of securing a loan amount. Let us understand what Bank Loans are!

What are Bank Loans?

Bank Loans, like any other Loan, are financial assistance that the Bank provides to its customer. Banks lend you money, which you are expected to repay along with a fixed interest rate. One of the primary functions of the Banks is Advancing Loans.

The deposits that the bank receives from its customers are not kept idle in the Bank. They usually keep a certain cash amount reserved and lend out the remaining amount, in the form of Loans. The main source of income for the Bank is the interest on these loans.

Loan and its Agreement

Whenever a Bank provides a customer with a Loan, banks make them sign the Loan Agreement. This agreement tells everything about the customers' loan preferences along with their signatures, making the exchange official and legal.

The agreement also includes the following important terms:

Collateral

Collateral can be said as a backup for the Bank. Whenever a borrower fails to repay their loan amount, along with the Interest amount, the Bank tends to cease the Collateral provided by the borrower. It is said to be a security for the loan one is applying for.

Interest rate

It is the amount that the lender charges along with the Principal Amount. An interest amount is usually charged from the borrowers for the use of any kind of assets- vehicles, property, cash, etc.

Principal Amount

It is the amount that one borrows from the Bank (or, any other institution).

Repayment Chart

It is the section of the agreement that deals with the repayment periods of the Bank Loan. The repayment is done over time, with a certain portion of the Principal Amount and Interest rate.

With these, there are a few additional terms which you must know about. These are:

Borrowing Rate

The rate at which the Banks accept deposits from the borrowers is known as the Borrowing rate.

Lending Rate

The rate at which the investors receive the reserves of the Bank is known as the Lending rate.

Spread

The difference between these two rates is known as Spread. Spread is the profit earned by the Banks.

Categories of Loan

The different types of Bank Loans available in India are classified into two categories-

Secured Loans– The loans that do require Collateral are known as Secured Loans. Hence, if one doesn't repay the amount to the bank, the bank has some security to get their money back. This loan tends to have a lower interest rate.

Secured loans include:

Home Loans

Gold Loans

Loans against mutual funds, shares, and policies

Loans against fixed deposits of the borrowers

Unsecured Loans– The loans that do not require any Collateral are known as Unsecured Loans. These loans are approved by the Banks based on the Borrowers' history and relationship with the Bank, Credit score, etc. They have a relatively higher rate of interest.

Unsecured Loans include:

Education Loans

Vehicle Loans

Personal Loans

Business Loans (Short term)

Personal Loan (Flexi)

Loans on Credit Cards

What is Money Laundering?

Money laundering is easy to understand and grab in seconds. We all live in a modern era where crimes are increasing day by day. With this dynamic money, laundering concept came place.

In general language, money laundering seems to be the illicit technique of making significant sums of money obtained via criminal activities appear to have originated from a respectable source. The proceeds of illicit activities are deemed dirty, thus the procedure of money launders them to make them sound and appear fair.

From a dynamic perspective, the purpose of a vast majority of illegal activities is to make money for the person or group who commits the crime. The treatment of illicit funds to conceal their illegal origin is known as money laundering. This procedure is crucial since it allows the criminal to earn without exposing their stream of revenue.

Exact Location of Money Laundering

Talking about any exact location of money laundering then there is none, to be precise. All procedures take place in the financial system – via banking methodology. Money laundering may occur virtually anywhere in the globe since this crime results in the generation of extraordinary profits. Basically, money launderers, on the whole, prefer to operate in nations or industries where there is a minimal chance of discovery due to weak or inefficient government anti-money laundering measures. Money launderers seek to move funds through reliable financial institutions since the goal of money laundering is to return unlawful money to the person who originated them.

The procedure of Money Laundering

The launderer infuses his unlawful riches into the monetary system at the primary level, the initial stage of the phase of financial fraud. This can be accomplished by dividing large quantities of cash into fewer, less visible quantities which were then immediately placed into a checking account, or by acquiring a variety of monetary policy tools that are subsequently obtained and transferred into balances at a different location. The further step starts once the money has reached the monetary system. The launderer performs in a sequence of transfers or moves of the cash to separate them from their origin at this stage.

Now once you're aware of money laundering, let's move to ways to control it, that's anti-money laundering.

What is Anti-Money Laundering?

Before getting onto the anti-money laundering meaning, let's start with the initial purpose of anti-money laundering. The objective of the AML standards is to aid in the detection and reporting of suspicious conduct, which are underlying crimes to money laundering.

How does Anti-Money Laundering Come into the Picture?

Money laundering and terrorism funding are both financial fraud with externalities. Money laundering necessitates the commission of a main, profit-generating crime, as well as the intent to hide or further the illegal company's current gains. These activities create capital inflows that divert funds away from growing and increasingly constructive purposes, which can have severe consequences for member nations' financial sectors and includes positive ones.

The International Monetary Fund (IMF) has been particularly engaged in the AML field for over more than five years due to the obvious severe implications of these sorts of financial crimes on the economy's monetary market. This is how Anti-money laundering meaning came into the picture. Whenever the rules are applied correctly, AML regulations reduce the negative impacts of illegal economic activity while also promoting financial market reliability and safety.

What significance Anti-Money Laundering holds?

With the application of anti-money laundering, a company or organisation can get various significance, some of which are listed here.

They must safeguard their firm's image as well as the worth of their stock
Regulations requiring them to track clients and money transactions, as well as report questionable conduct, are being followed
Fines, staff and IT expenditures, and cash set aside for risk exposure are all being reduced
Prevention of consent agreements, as well as potential criminal and civil consequences for violation or carelessness

National Stock Exchange (NSE)

The NSE is the world's fourth-biggest stock exchange. It was the first stock exchange in India to provide a screen-based trading system.

Share

What Is the National Stock Exchange of India Limited (NSE)?

(NSE). The National Stock Exchange of India (NSE) was the fourth-largest stock trading facility in the world when it opened in 1992. In 1994, the wholesale debt market started, and soon after that, the cash market started as well. The wholesale debt, equity, and derivative markets are now served by the NSE national stock exchange of India Limited, which is owned by the government (NSE). Investors in Indian stocks know about the NIFTY 50 Index, which tracks the value of the country's most valuable stocks. Exchange-traded funds (ETFs) like the iShares India 50 ETF allow US investors to invest in the index.

India's National Stock Exchange of India Ltd was the first in the country to provide contemporary, fully automated electronic trading services. Many Indian financial organizations came together to form this organization to improve the country's capital market's transparency. The National Stock Exchange (NSE) was established in November 1992 as India's 1st electronic exchange fully automated with a statewide presence.

What to Keep in Mind?

With a value of $2.27 trillion as of June 2020, the NSE national stock exchange is the world's fourth-largest stock exchange. The NIFTY 50, the stock exchange's main index, makes up most of the overall market value.

Almost half of the value of the NSE's traded value in the last six months has come from the companies that make up the index. The index itself is made up of 50 stocks from 12 different parts of the Indian economy. There are indexes for different capitalizations and volatility levels. The exchange is led by Girish Chandra Chaturvedi, the chairman of the board, and Vikram Limaye, the CEO of NSE.

In-depth Reasons for use of NSE

To get their business ready for a big exchange, they should start at the National Stock Exchange.

It has never been easier for people to see how trades are set up and how they are paid for because of the vast amount of trading and the use of automated systems.

People may have more confidence and see more of the market as a whole. People can make orders faster and more accurately thanks to new technology, increasing liquidity and improving prices.

Details about the Index

When you look at a stock market, you can see how many different kinds of stocks there are. It is called the Sensex and Nifty because they are both stock market indexes. The BSE and NSE are both stock exchanges. Stock market indices give a quantitative picture of how the market is doing right now. They are made by putting together stocks from a particular market or exchange. An essential index in Mumbai's stock market is the "Stock Exchange Sensitive Index." This index is called the Sensex, which stands for "Sensex." It determines how far the BSE can move. The index of the National Stock Exchange of India is called Nifty, which stands for "National Stock Exchange Fifty."

Indicators of How the Stock Market is doing

In India, there are a lot of different stock market indexes that you can choose from. Here are the things you need to know about:

A list of Benchmarks

It is the main way to figure out how well the whole market is doing. When it comes to statistics, it is a way to figure out how well a fund did on the market and how well it should have done based on its performance. BSE Sensex or the NSE Nifty would be two examples of things that could be used to show this (Nifty 50).

An Index of all the Stocks and Shares on the Market

Then again, they tend to put more stocks in the index than other people do. BSE 100 is a good example of what you can do with it. Some 30 Indian companies are part of the BSE Sensex, which is an average of how they move over time.

Index of the value of the Stock Market

The value of all of a company's outstanding shares is used to make up the index's components.

BSE Smallcap and BSE midcap are the two types.

An Indicator that only Applies to a Particular Industry or Industry Group

In the healthcare, energy, industrial goods, and technology industries, benchmarks and summaries of stock performance are being provided to help investors compare their stock performance. This is how the indexes work: CNX IT, Nifty.

Non-Performing Assets

This guide is all about non-performing assets and all the relevant information that you should be aware of, so make sure you read it till the end. Read more to know the NPA meaning.

Table of Content

What is a Non-Performing Asset?

In general, NPAs are referred to those advance payments and loans whose payment is not yet made in ninety days or simply more than that specified duration of time.

Dynamically, financial institutions classify advances and loans as one of the non-performing assets, preferably called NPAs, it basically means, if the principle is overdue for payment and also no interest expenses have now been paid for a certain duration. Advance and credit loans become NPAs when they become overdue for payment for ninety days or more than ninety days, while other lenders have a narrower timeframe in which they regard a credit or advance payment beyond that due date. But, why is it called non-performing assets?

Whenever loan payments are not made from the borrower’s end, it is regarded as a non-performing asset. As a result, the asset is no more generating money for the lending institution since this borrower is not paying interest.

What Are the Classifications of Non-Performing Assets?

Generally, there are four classifications of non-performing assets, these are as follows:

Loss assets

Loss assets are those NPAs that have been non-paying for a long time. Banks are compelled to recognize that the debt (in terms of the loan) will not ever be recovered, and they must show a deficit on their financial statements (that is, balance sheet) as a result of this category of the debt. The total debt must always be wiped off in its entirety.

Standard assets

Standard assets are non-performing assets with such a reasonable risk level that are already long due for the time frame between ninety days to twelve months in total.

Doubtful debts

This type of NPA has a significant impact on the bank's internal level of risk. Within the doubtful debts class, non-performing assets were long due within a minimum time frame of eighteenth months. Financial institutions, generally banks, possess substantial worries about the borrower's repayment of the loan as a whole.

Sub-standard assets

Such non-performing assets are due for payment for more than a year in terms of time frame. These have a significantly greater risk level, especially when paired with a customer with low credit.

With these four basic classifications of NPAs, there are some more minor classifications of NPA. These are listed here.

Agricultural loans with outstanding monthly instalments or balance instalments

Accounts with an overflow or cash advances that have been inactive for a longer time duration of exactly more than ninety days

Types of Non-Performing Asset

Loans with a fixed term: Term loan

Outstanding loans that are due for more than ninety days

Agricultural loans with outstanding repayments of monthly instalments

Working and Procedure of Non-Performing Assets

Considering the previously stated non-performing assets classifications, debts can never be placed into the categories of classification until they have been unpaid for an extended length of time that is allowed from the lender's perspective.

Lenders take into account all of the variables that might cause a borrower to fall behind on interest payments considering extending a time limit. Banks often deem a loan late after quite a month perhaps once. The debt can not become a non-performing asset until the time allowed expires which is usually considered as ninety days of non-payment of loan or partial loan (that is, interest).

Whenever repayments were not completed for ninety days, the debt is usually regarded as non-performing. Although 6 months is the industry norm, the length of time completed might vary according to the terms and circumstances of each lending. Debt can become an NPA at a time throughout the original loan maturity duration as per the time frame allowed.

Organizations Deposits Credit

What is deposit credit and how can they be used in the best way possible along with the advantages that come with it.

Table of Content

Introduction

In the modern era, banks have gained significant importance in the field of finance and economics. Banks are now the primary source of circulation of money in the whole country. As the volume of banks grew, banks started introducing new policies that would help them earn more revenue and make the lives of their account users easier. Deposit credit is another such policy that was presented to attract more people to use the services of the bank. This policy has become popular in very little time.

What is a credit deposit?

Deposits Credit is also known as certificate of deposit or CD. Certificate of deposit is a policy launched by banks and credit unions. According to this policy, if the account holder agrees to leave a considerable amount of money in his bank account without withdrawing it for a certain period, then the bank will provide an interest rate premium in exchange. In recent times almost every consumer financial institution has been offering CDs to their customers. But the terms and conditions may differ depending upon the bank. The rates of the interest rate premium will depend upon the bank's decision. The bank will also decide the penalty of early withdrawal of money.

If an individual wants to find the best interest rate premium, then he must look around a lot of financial institutions because CD rates differ a lot depending upon the financial institution. Some brick-and-mortar banks also agree on paying a pittance on long-term CDs, whereas a local credit union or an online bank may even decide on paying two to five times the national average. However, the best rates are available in some unique promotions, sometimes with an extraordinary duration of 13 or 21 months, whereas, commonly, it is based on three, six, or 18 months or increments of the entire year. Usually, the organization deposits credit a lot. Organizations deposit a considerable amount of money, and they use the services.

What are the advantages of a certificate of deposit?

Safe investment option

Compared to other investment policies, the certificate of deposits is a much safer investment plan. Further investment plans are usually very vulnerable to the volatile nature of the capital market like stocks and bonds. Thus, there are zero guarantees about their returns. However, in the case of CDs, the banks and financial institutions which issue CDs invest the money in other instruments which are safer and facilitate growth.

Fixed-rate of interest

Banks and financial institutions offer CDs at a predetermined rate. This rate tends to remain the same throughout the tenure of investment which enables investors to estimate the level of returns.

Interest rates that are higher than a savings bank account

The rate of interest that is offered in Certificates of Deposit is more than the interest shown in the savings account. Moreover, the rate of interest is decided beforehand, and it remains constant.

Short term investment

Along with long-term investment plans, Certificates of deposits also provide short-term investment plans. In the short-term investment plans, the maturity term is a lot shorter, which means that the money which is invested will remain not withdraw able for a very short period.

Higher returns on long term investment

If someone chooses to invest the money for a very long period, then the number of returns he will receive will be more than the short-term plans.

Grace Period

After the investment plan reaches its maturity, there is a grace period that usually lasts for a week. This grace period allows the investor to make more plans about the investments of the matured amount of money.

Restructuring of Loans

The fundamental meaning of restructuring of loans is to modify loan terms and conditions. This is usually done when the borrower faces financial stress. Read the full article to know more.

Table of Content

The phenomenon of changing existing loan terms and conditions or loan contracts for the borrower is called restructuring of loans. This process is followed to facilitate the management of interest obligation due to the lender, the bank or NBFC, or the management of loan principal (initial size of the loan). It is usually referred to as ‘one-time’ restructuring because there is a timeline with defined terms and conditions for eligibility for restructuring of personal loans, MSMEs, and corporations. Restructuring is considered due to reasons which lead to severe supply chain disruption and demand, such as Covid-19. This is because, in these times, the borrower is at risk of default.

What is RBI Loan Restructuring?

The Covid-19 pandemic had led to significant financial stress for the customers. To address this economic fallout and make certain resolution plans, a framework has been provided to the lending institutions or banks by The Reserve Bank of India (RBI). Based on the regulatory guidelines and the framework, the bank frames its policy for restructuring the loan/s of entities and individuals that have been impacted due to the Covid-19 pandemic.

Who can apply for Loan Restructuring?

The basic requirements to be eligible for restructuring of loans are as follows:

The matching of the applicant's repayment history and credit report with the eligibility as per regulatory guidelines for one-time loan restructuring.

The applicant's loan amount must have no dues pending or overdue for less than 30 days (89 days for MSME customers).

There should have been an impact on the applicant's income for any specific reason like it could be Covid-19 for the current scenario.

Loan Restructuring Documentation:

If your application to restructure the loan gets accepted, the next step would be the requirement of some important documentation as per RBI loan restructuring. These documents include-

1. Bank statements

Bank statements of at least three months are required for the applicants receiving salaries, and for self-employed people or business entities, it is six months.

2. Income Proof

Salary slips for salaried people and income statements for business entities or self-employed are required.

3. For Business Entities or Self-employed People

MSME registration certificate, GST returns, income tax returns, etc., (if applicable) are also required.

4. KYC Documents
If any of your details, like address, etc., have changed ever since you submitted your KYC documents, then this is required.

These documents will have to be submitted at the applicant's nearest branch for further restructuring of the loan. Note that-

1. In case there is more than one applicant for the same loan or co-applicants, the documentation of both will be required.

2. If you have to restructure more than one loan, the documents for every loan will be required.

3. Depending on the loan amount, documents related to additional collateral may also be required. This is in the case of secured loans.

The request to restructure loans will only start processing once all the required documents have been submitted and verified as per the RBI loan restructuring scheme.

What type of loans are not eligible for restructuring?
The following loans are not eligible for restructuring:

Exposures of housing finance companies where the account has been rescheduled after a specific date provided by them.
Loans are provided to financial service providers, agricultural credit societies, and local, state, and central government bodies.
Loans to entities/individuals for agricultural purposes.
Under the MSME guidelines, loans for commercial usage will be entitled to claim.
Which are the Products Covered under the Regulatory Restructuring Relief Package?
Loans are given for the enhancement or creation of immovable assets (for example, housing loans)
Credit card receivables
Education loans

Auto-loans and two-wheeler loans

Personal loans to professionals

Auto-loans and two-wheeler loans

MSME loans with Udyam certificate

Impact of Restructuring on CIBIL Score:

The restructuring of the loan scheme is developed to provide relief to those whose incomes have been impacted due to the Covid-19 pandemic. However, this process also has an impact on the CIBIL credit score. Whichever loans will be restructured by the applicant will be termed as 'restructured' in the credit reports. Hence, the decision to restructure a loan should be based on the types of restructuring the lender offers you, plus your financial condition. If you can't repay your loans, then go for restructuring for sure.

Reverse Mortgage Loan

This article has all the facts of Reverse Mortgage Loans, What is Reverse Mortgage Loans, the definition of Reverse Mortgage to the advantages of Reverse Mortgage Loans.

Table of Content

We all work hard in our lives so that we can save enough for our old age. Old age makes us weak and not worthy of working and we really can't be dependent on our children these days so we should have some strong plan and a good amount of savings for our old age. Reverse Mortgage Loans is a very strong backup plan for our Old age security. A Reverse Mortgage loan is a loan when an advanced age(mostly above 62) mortgage holder with huge home value can back against the worth of their property and get assets as a single amount, a decent regularly scheduled instalment, or a credit extension. A Reverse Mortgage, dissimilar to a forward contract, which is utilised to buy a home, there is no requirement for the property holder to pay any credit instalment. All things being equal, when the borrower terminates, moves out, or sells the house, the whole advance obligation becomes due and payable.

What is a Reverse Mortgage Loan?

A reverse mortgage is a loan that provides an additional source of income for senior adults in India who own or live in their own homes. The lender makes payments to the borrower against the mortgage. A reverse mortgage is a form of loan that is available to seniors aged 62 and up.

With a reverse mortgage, homeowners may turn their home equity into cash income without having to make monthly mortgage payments.

Although most reverse mortgages are government insured, there has been a recent rash of reverse mortgage frauds targeting the elderly.

For some seniors, reverse mortgages can be a fantastic financial option, but for others, they can be a bad financial one.

What are the Advantages that Reverse Mortgage Loan Offers?
Some advantages are given below

. In retirement, you will be able to better manage your spending.

When many seniors retire, their income drops dramatically, and their monthly payments can become their most significant expense. You can augment a reduced income while still paying your bills with a reverse mortgage.

You are not required to move.
A reverse mortgage lets you stay in your comfort zone rather than looking for a not-so-familiar place (and to be in touch with your near ones). Furthermore, while a reverse mortgage has a cost, it may be less expensive to get a reverse mortgage instead of relocating and then either rent or buy in an unfamiliar place.

You are not taxed on your earnings.
The money you obtain through a reverse mortgage isn't taxable because it's considered "loan proceeds". However, because tax requirements can be intricate, seek guidance from a tax expert before taking out a loan like a reverse mortgage.

If the sum exceeds the value of your home, you’re covered.

Since you have a reverse mortgage, the reverse mortgage loan amount accumulates over time, which can lead to a scenario that it will exceed the property’s market value. The number of loans that ought to be returned can never surpass the property’s worth. As a result, a mortgage receiver cannot make any arguments against your additional properties or children in this situation.

There are possibilities available to your heirs.
Borrowers can pay off reverse mortgages sooner, but they usually terminate when the receiver leaves, sells their property, or dies. In such a scenario, your children have three options: give the asset to clear the loan while keeping any amount above the loan balance; keep the property and pay down the reverse mortgage amount in the case when the property’s value is enough; or pay the amount by returning the title to the borrower if the debt exceeds the property’s worth. The borrower can then submit a suit with the insurance for any outstanding debt.

What are Some Disadvantages that a Reverse Mortgage Loan Has?
Some disadvantages are given below:

. You must reimburse for it.

Granter fees (original fees are set at 6,000 and vary depending on the fees), FHA insurance fees are all expenditures associated with reverse mortgages. These fees might be an addition to the debt total, but that would result in the receiver having more loans and less return.

.You won’t be able to deduct money from your taxation until the loan is paid off.

When you were paying off your mortgage, you took advantage of the reduction on your taxes because of the Interest of the loan, but you can’t deduce the rate of interest on a reverse mortgage.

. With the fixed-rate option, you won’t get nearly as much.

HECMs are constructed in such a way that they can be used for both movable and there is a fixed rate. . However, the payment of return you may access with a fixed-rate reverse mortgage is less than with a movable reverse mortgage.

.Your house could be seized.

Because reverse mortgages don’t need a month to month head and interest instalments, it might create the impression that dispossession is unimaginable. That isn’t true. Assuming that seniors neglect to make good on local charges, keep up with property holder’s protection, or pay HOA contributions, their homes might be abandoned. It’s conceivable that overseeing changes to your standing will be hard for you. Reverse Mortgage loans are complex, and assuming your circumstance changes, your graduated house buyback choices might change too.