

Environment and Management of Financial Services

- 1. Introduction to Financial System**
- 2. Phases of Development of Banking and Insurance**
- 3. Management, Regulation and Development**
- 4. Regulatory and Developmental Framework of Banking & Insurance**

Unit-1 Introduction to Financial System

- Financial System Institutional set- up
- Marketing Structure Instruments Overview of different kinds of financial services. (e.g Leasing, Hire purchase, factoring, forfaiting, Bill financing/Bill discounting, housing finance, letter of credit, insurance, venture capital, merchant banking, stock broking and credit rating.)

Unit-2 Phases of Development of Banking and Insurance

- **Meaning, Definition and scope of Banking and Insurance. Significance and Role of Banking and Insurance in mobilizing savings, investment, accumulation and economic growth.**
- **Functions and working of banking and insurance companies**

Unit-3 Management, Regulation and Development

- Risk management within the organizations of Banks and Insurance companies
- Asset - Liability Management in Banking and Insurance
- Organisational structure and management
- http://www.riskpro.in/download/risk_management_in_insurance_industry.pdf

Unit-4 Regulatory and Developmental Framework of Banking & Insurance

- **Banking companies and RBI Acts and legal framework governing the insurance.**
- **Developmental Activities of RBI and IRDA**
- **Mechanism of supervision and regulation.**
- **Prudential Norms.**

FINANCIAL SYSTEM

The financial system or financial sector of any country consists of specialised and non-specialised financial institutions, of organised and unorganised financial markets, of financial instruments and services which facilitate transfer of funds. Procedures and practices adopted in the markets, and financial interrelationships are also parts of the system. These parts are not always mutually exclusive; for example, financial institutions operate in financial markets and are, therefore, a part of such markets.

A **financial system** is a **set of institutions**, such as banks, insurance companies, and stock exchanges, that permit the exchange of funds. ... Borrowers, lenders, and investors exchange current funds to **finance** projects, either for consumption or productive investments, and to pursue a return on their **financial** assets.

What are the 4 types of financial institutions?

The major categories of **financial institutions** include central **banks**, retail and commercial **banks**, internet **banks**, credit unions, savings, and loans associations, investment **banks**, investment companies, brokerage firms, insurance companies, and mortgage companies.

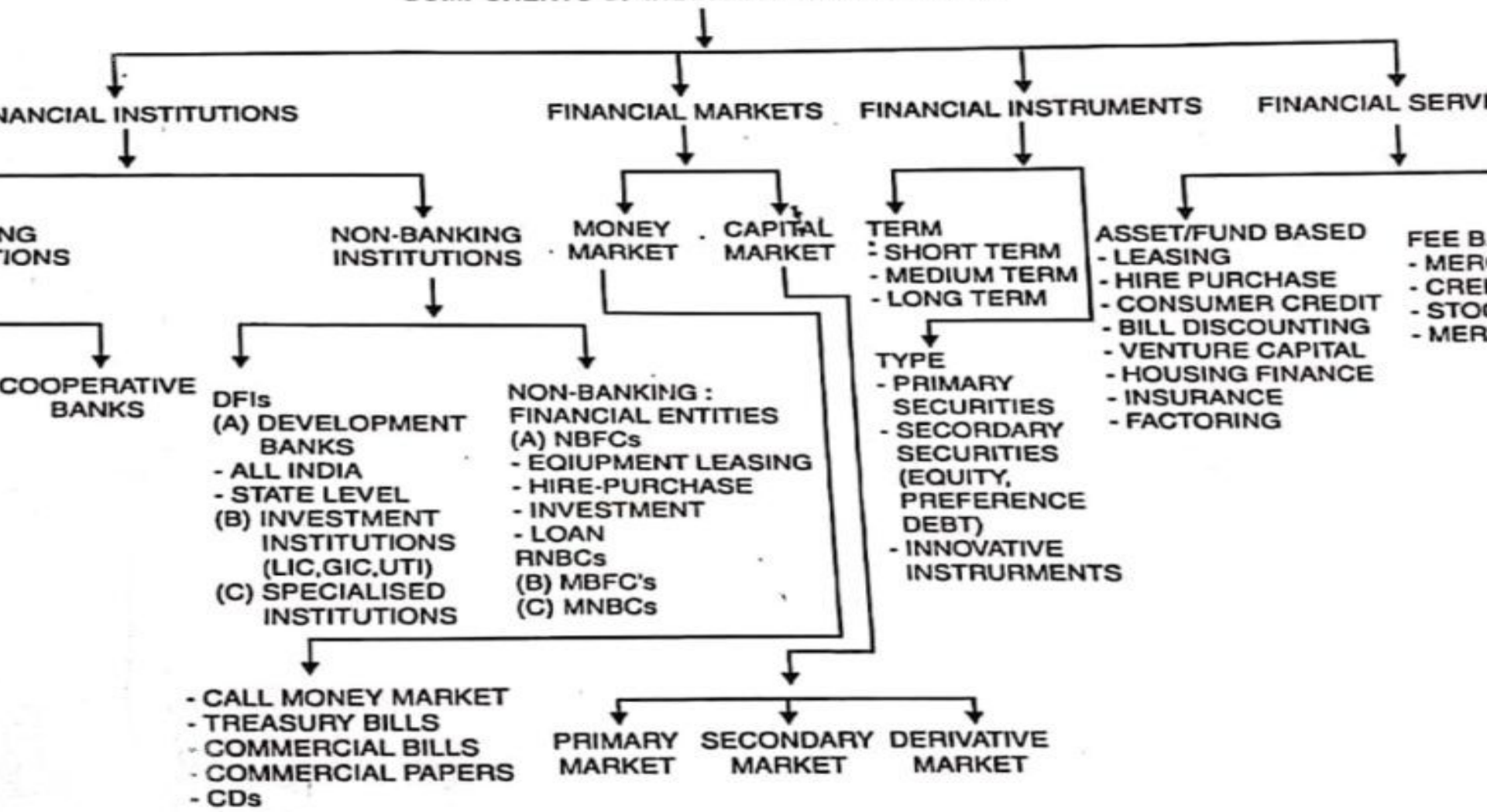
What is Organised financial system?

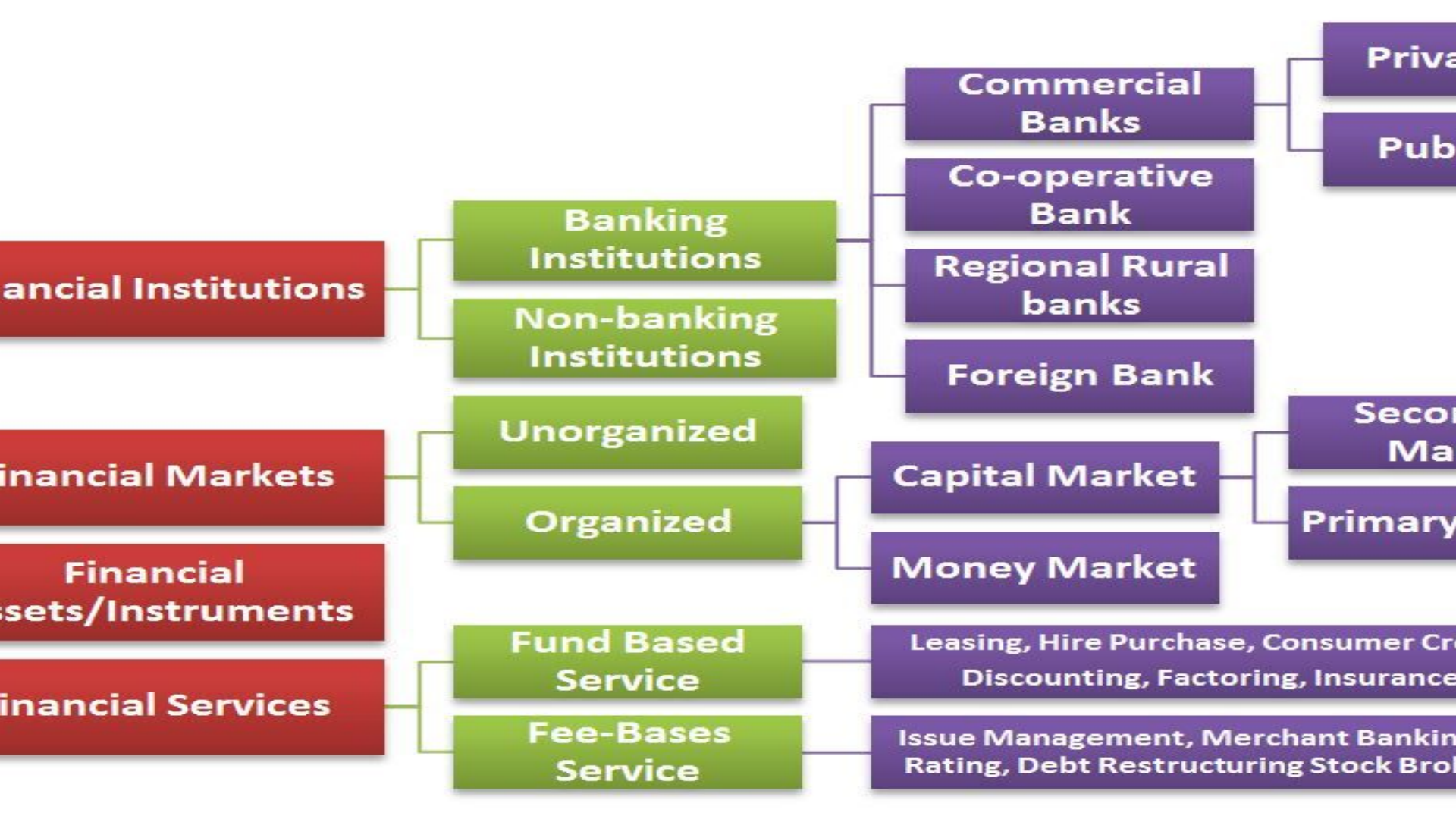
ORGANISED SECTOR•COMPRISES OF BANKS,**FINANCIAL** AND INVESTMENT INSTITUTIONS•SHORT TERM FUNDS ARE MAINLY PROVIDED BY COMMERCIAL AND CO-OPERATIVE BANKS
The **organised financial system** comprises the following sub-**systems**:
1. ... Cooperative system
3. Development **Banking system**
(i) Public **sector**
(ii) Private sector
4. Money markets

What are the 3 parts of the financial system?

The three parts of a **financial system** are savers, **financial** institutions, and investors. Savers put money in **financial systems** such as banks. These banks then lend money to investors who make money by investing in their company and paying off the investment with interest.

COMPONENTS OF INDIAN FINANCIAL SYSTEM





Meaning of Indian Financial System The financial system is the main part of running the economy smoothly. financial system provides the flow of finance in the economy. which leads to the development of the country financial system show the strength of the country. Indian Financial System is a combination of financial institutions, financial markets, financial instruments and financial services to facilitate the transfer of funds. Financial system provides a payment mechanism for the exchange of goods and services. It is a link between saver and investor.

Structure of Indian Financial System

The following are the four major components that comprise the Indian Financial System:

- Financial Institutions
- Financial Markets
- Financial Instruments/Assets/Securities
- Financial Services.

Financial Institutions

Financial institutions are the intermediaries who facilitate the smooth functioning of the financial system by making investors and borrowers meet. They mobilize savings of the surplus units and allocate them in productive activities promising a better rate of return. Structure of Indian Financial System also provides services to entities (individual, business, government) seeking advice on various issues ranging from restructuring to diversification plans. They provide whole range Of services to the entities who want to raise funds from the markets or elsewhere. The financial Institutions is very important for the function of a financial system

Types of Financial Institutions Financial institutions can be classified into two categories

- Banking Institutions
- Non-Banking

Financial Institutions

Financial Markets

Financial markets may be broadly classified as negotiated loan markets and open

The negotiated loan market is a market in which the lender and the borrower personally negotiate the terms of the loan agreement, e.g. a businessman borrowing from a bank or from a small loan company.

On the other hand, the open market is an impersonal market in which standardized securities are treated in large volumes. The stock market is an example of an open market. The financial markets, in a nutshell, the credit markets catering to the various credit needs Of the individuals, links and institutions.

Credit is supplied both on a short as well as a long On the basis of the credit requirement for short-term and long term purposes, financial markets are divided into two categories Types of the financial market • Money Market • Capital Market

Financial Instruments/ Assets/ Securities This is an important component of the financial system. Financial instruments are monetary contracts between parties. The products which are traded in a financial market are financial assets, securities or other types of financial instruments. There is a wide range of securities in the markets since the needs of investors and credit seekers are different. Financial instruments can be real or virtual documents representing a legal agreement involving any kind of monetary value. Equity-based financial instruments represent ownership of an asset. Debt-based financial instruments represent a loan made by an investor to the owner of the asset. Types of Financial Instruments

- Cash Instruments
- Derivative Instrument

Financial Services It consists of services provided by Asset Management and Liability Management Companies. They help to get the required funds and also make sure that they are efficiently invested. They assist to determine the financing combination and extend their professional services up to the stage of servicing of lenders.

Types of Financial Services

- Banking
- Wealth Management
- Mutual Funds
- Insurance

The Structure of Indian Financial System is about A financial system is a system that allows the exchange of funds between investors, lenders, and borrowers. Indian Financial systems operate at national and global levels. They consist of complex, closely related services, markets, and institutions intended to provide an efficient and regular linkage between investors and depositors.

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System –

is an important tool for economic development of the country, as it
 ing savings with investments. It facilitates the flow of funds form the
 rms (investors) to aid in wealth creation and development of both the

s concerned with:

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y function of a financial system is *“to provide a link between savings
 lth and to permit portfolio adjustment in the composition of existing*

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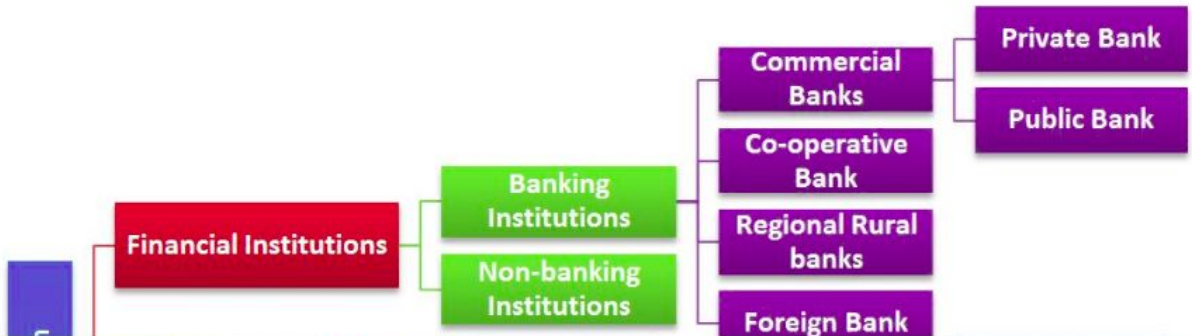
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Features of Financial System:

- It plays a vital role in economic development of a country
- It encourages both savings and investment
- It links savers and investors
- It helps in capital formation
- It helps in allocation of risk
- It facilitates expansion of financial markets
- It aids in Financial Deepening and Broadening

Structure of Indian Financial System/Components of Indian Financial System:



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- Business Environment (21)
- Business Ethics (2)
- Business Law (1)
- Business Statistics (49)
- Company Law (14)
- Computer Applications (9)
- Consumer Behaviour (22)
- Cost Accounting (3)
- E-commerce (8)
- Entrepreneurship (11)
- Financial Accounting (2)
- Financial Management (29)
- Financial Services (19)
- Human Resource Management (18)
- Income Tax (2)
- International Business (13)

(1) Financial Institutions – Financial institutions are intermediaries of financial markets which facilitate financial transactions between individuals and financial customers.

It simply refers to an organization (set-up for profit or not for profit) that collects money from individuals and invests that money in financial assets such as stocks, bonds, bank deposits, loans etc.

There can be two types of financial institutions:

- **Banking Institutions or Depository institutions** – These are banks and credit unions that collect money from the public in return for interest on money deposits and use that money to advance loans to financial customers.
- **Non-Banking Institutions or Non-Depository institutions** – These are brokerage firms, insurance and mutual funds companies that cannot collect money deposits but can sell financial products to financial customers.

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Financial Institutions may be classified into three categories:

- **Regulatory** – It includes institutions like [SEBI](#), RBI, IRDA etc. which regulate the financial markets and protect the interests of investors.
- **Intermediaries** – It includes [commercial banks](#) such as SBI, PNB etc. that provide short term loans and other [financial services](#) to individuals and corporate customers.
- **Non – Intermediaries** – It includes financial institutions like NABARD, IDBI etc. that provide long-term loans to corporate customers.



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(2) Financial Markets – It refers to any marketplace where buyers and sellers participate in trading of assets such as shares, bonds, currencies and other financial instruments. A financial market may be further divided into capital market and money market. While the capital market deals in long term securities having maturity period of more than one year, the money market deals with short-term debt instruments having maturity period of less than one year.

(3) Financial Assets/Instruments – Financial assets include cash deposits, checks, loans, accounts receivable, letter of credit, bank notes and all other financial instruments that provide a claim against a person/financial institution to pay either a specific amount on a certain future date or to pay the principal amount along with interest.

(4) Financial Services – Financial Services are concerned with the design and delivery of financial instruments and advisory services to individuals and businesses within the area of banking and related institutions, personal financial planning, leasing, investment, assets, insurance etc.

It involves provision of a wide variety of **fund/asset based and non-fund based/advisory services** and includes all kinds of institutions which provide intermediate financial assistance and facilitate financial transactions between individuals and corporate customers.

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Functions of Indian Financial System

- It bridges the gap between savings and investment through efficient mobilization and allocation of surplus funds
- It helps a business in capital formation
- It helps in minimising **risk** and allocating **risk** efficiently
- It helps a business to liquidate tied up funds
- It facilitates financial transactions through provision of various financial instruments
- It facilitate trading of financial assets/instruments by developing and regulating financial markets

Importance of Indian Financial System

- It accelerates the rate and volume of savings through provision of various financial instruments and efficient mobilization of savings
- It aids in increasing the national output of the country by providing funds to corporate customers to expand their respective business
- It protects the interests of investors and ensures smooth financial transactions through regulatory



Importance of Indian Financial System

- It accelerates the rate and volume of savings through provision of various financial instruments and efficient mobilization of savings
- It aids in increasing the national output of the country by providing funds to corporate customers to expand their respective business
- It protects the interests of investors and ensures smooth financial transactions through regulatory bodies such as RBI, SEBI etc.
- It helps economic development and raising the standard of living of people
- It helps to promote the development of weaker section of the society through rural development banks and co-operative societies
- It helps corporate customers to make better financial decisions by providing effective financial as well as advisory services
- It aids in Financial Deepening and Broadening:

Financial Deepening – It refers to the increase in financial assets as a percentage of GDP

Financial Broadening – It refers to increasing number of participants in the financial system.

Financial Intermediaries/Intermediaries in Indian Financial System

- Commercial Banks
- Cooperative Banks
- Regional Rural Banks



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Financial Intermediaries/Intermediaries in Indian Financial System

- [Commercial Banks](#)
- Cooperative Banks
- Regional Rural Banks
- Development Banks
- [Non-banking Financial Companies](#)
- Mutual Fund companies
- Insurance Companies



MUTUAL FUND

Meaning of Mutual Fund Mutual fund in simple terms is money managing institutions that pool the money received from the general public having limited financial means but similar financial goals. The money collected from the public is then invested in capital market instruments like shares, debentures and other securities under several mutual funds schemes. It is established in the form of trust and managed by Asset Management Companies (AMC). Buying a mutual fund is like buying a small slice of a big pizza. The owner of a mutual fund unit gets a proportional share of the fund's gains, losses, income and expenses.

The management of all assets of a mutual fund is entrusted with its Assets Management Company (AMC). Every mutual fund is managed by a professional Fund Manager and is required to have an independent Board of Trustees. It will also have a SEBI- registered custodian to carry out all custodial services for the schemes of the fund.

Unit Trust of India is the first Mutual Fund set up under a separate act, UTI Act in 1963, and started its operations in 1964 with the issue of units under the scheme US-64.

According to SEBI Regulation, 1996, "Mutual fund means fund established in the form of a trust to raise monies through the sale of units to the public or section of public under one or more scheme for. investing in securities, in accordance with regulations."

The major advantages of investing in mutual funds are as follows:

1. **Professional Management** - Mutual funds provides the services of experienced and skill professionals backed by a dedicated investment research team that analysis the performance and prospects of company's for making profitable investments.
2. **Diversification** -Mutual Funds invest in a well-diversified portfolio of securities which enables investor to hold a diversified investment portfolio (whether the amount of investment is big or small). continue.....

Diversification reduces risk contained in a portfolio by spreading it. It is about not putting all your eggs in one basket. As mutual funds have huge corpuses to invest in, one can be part of a large and well-diversified portfolio with very little investment. Mutual funds help reduce overall investment risk. A mutual fund invests in different companies and across different asset classes like equity shares, bonds, futures etc. So even when a share price of a company goes down it would be compensated by the price raise in the other company.

3. **Convenient Record Keeping** -Record keeping is simplified in mutual funds. Book-keeping of the investments is handled by the fund.

4 **Convenience and Flexibility** Mutual fund operations like purchase, redemptions, switching between funds of the same fund house, etc. are relatively simple. Moreover, Mutual funds offer you the flexibility of tailoring your investment program with facilities like Systematic Investment Plans (SIPs), Systematic Transfer Plans (STPs) and Systematic Withdrawal Plans (SWPs).

5. **Investors Protection** Mutual funds operate under strict regulatory norms set out by agencies such as SEBI and AMFI in India. Mutual funds are required to submit several reports to these agencies and also Required to publish details of their operations for public information.

6. **Affordability** Mutual funds are available in units, one can initially opt for a regular investment plan contributing a few hundred rupees per month.

7. **Easy Liquidity** - Mutual fund investment offers enough liquidity to investorS. Listed schemes of mutual funds can be sold in the stock markets, whereas unlisted open-ended schemes can be sold back to mutual funds.

8. **Tax Benefits** Mutual funds as well as mutual fund investors all over the world enjoy tax benefits, so, investors are exempted from certain taxes which in turn increase the net yield of investments.

TYPES OF MUTUAL FUND PRODUCTS

A. By Structure

1. **Open-Ended Schemes** - An open-ended fund or scheme is one that is available for subscription and repurchase on a continuous basis. These schemes do not have a fixed maturity period. Investors can conveniently buy and sell units at Net Asset Value (NAV) related prices which are declared on a daily basis. The key feature of open-end schemes is liquidity. For eg. HDFC Cash Management Fund-Saving Plan.

2 **Close-Ended Schemes**- A close-ended fund or scheme has a stipulated maturity period e.g. 3-5 years. The fund is open for subscription only during a specified period at the time of launch of the scheme. Investors can invest in the scheme at the time of the initial public issue and thereafter they can buy or sell the units of the scheme on the stock exchanges where the units are listed. In order to provide an exit route to the investors, some close-ended funds give an option of selling back the units to the mutual fund through periodic repurchase at NAV related prices. SEBI Regulations stipulate that at least one of the two exit routes is provided to the investor i.e. either repurchase facility or through listing on stock exchanges. For e.g. ICICI Prudential Fusion

B. By Investment Objective

1. **Growth/Equity Scheme** The aim of growth funds is to provide capital appreciation over the medium to long term. Such schemes normally invest a major part of their corpus in equities. Such funds have comparatively high risks. Growth schemes are good for investors having a long-term outlook seeking appreciation over a period of time. For e-g.HDFC Capital Builder Fund Growth and Kotak MidCap Fund-Growth.
2. **Income/Debt Scheme** The aim of income funds is to provide regular and steady income to investors. Such schemes generally invest in fixed income securities such as bonds, corporate debentures Government securities and. money market instruments. Such funds are less risky compared to equity schemes. These funds are not affected because of fluctuations equity markets. However, opportunities of capital appreciation are also limited in such funds. For eg. HDFC Income Fund and Birla Sunlife Income Fund.

3. **Balanced Funds**

The aim of balanced funds is to provide both growth and regular income as such schemes invest both in equities and fixed income securities in the proportion indicated in their offer documents. These are appropriate for investors looking for moderate growth. They generally invest 40-60% in equity and debt instruments. These funds are also affected because of fluctuations in share prices in the stock markets. However, NAVs of such funds are likely to be less volatile compared to pure equity funds. For e.g. HDFC Prudence Fund.

Money Market/Liquid Schemes: These funds are also income funds and their aim is to provide easy liquidity, preservation of capital and moderate income. These schemes invest exclusively in safer short-term instruments such as treasury bills, certificates of deposit, commercial paper and inter-bank call money, government securities, etc.

Returns on these schemes fluctuate much less compared to other funds. These funds are appropriate for corporate and individual investors as a means to park their surplus funds for short periods. For e.g. HDFC Liquid Fund Premium Plus Plan and ICICI Prudential Liquid- Inst Plus.

SPECIAL SCHEMES

Tax Saving Schemes. These schemes offer tax rebates to the investors under specific provisions of the Income Tax Act, 1961 as the Government offers tax incentives for investment in specified avenues. E.g. Equity Linked Savings Schemes (ELSSs). Pension Schemes launched by the mutual funds also offer tax benefits. These schemes are growth oriented and invest predominantly in equities. Their growth opportunities and risks associated are like any equity-oriented scheme. Such schemes include:

1. HDFC Tax saver-Growth
- 2 Principal Tax saving Funds
3. Tata Tax Saving Funds

Financial Services is a very wide field. This sector is undergoing a typical change and new methods, techniques and players are emerging day to day. Following are the financial services, which are useful in day to day business:

(1) FUND BASED FINANCIAL SERVICES:

(a) **Leasing:** A lease is a contractual arrangement in which a person owning an equipment (lessor) provides the equipment for use to another person the right to use the equipment to the user (lessee) over a certain agreed period of time consideration (rentals) in return for periodic payments. At the end of the lease period the equipment is returned back to the lessor or it is further renewed. Thus, leasing is a device of financing the cost of an asset. It is a contract in which a specific equipment required by the lessee is purchased by the lessor or financier from the manufacturer. The lessee has a possession and use of the asset on payment of the specified rentals over a predetermined period.

A lease can be classified as Finance lease and operating lease.

A **finance lease** is a lease that transfers substantially all the risks and rewards incident to ownership of an asset. The title may or may not eventually be transferred. A finance lease should be reflected in the balance sheet of a lessee.

Operating lease is a kind of lease where risks and rewards are not transferred substantially. It is a lease other than finance lease. The charge to income under an operating lease should be the rental expenses for the accounting period, recognised on a systematic basis that is representative of the time pattern of the user's benefit. Lease payments under an operating lease should be recognised as an expense in the statement of profit on a straight line basis over the lease term unless another systematic basis is representative of the time pattern of the user's benefit.

Hire Purchase: Hire-purchase is a mode of financing the price of the goods to be sold on a future date.

A hire-purchase agreement is a kind of transaction in which goods are let on hire with an option to the hirer to purchase the goods by paying all the instalments.

The goods are delivered to the hirer at the time of contract and the ownership in goods passes to the hirer on payment of the last instalment.

Each instalment is treated as a hire charge. If there is a default in payment of instalment, the seller is entitled to take away the goods from the hirer. Thus, hire-purchase agreement has two aspects. bailment of goods and element of sale.

Bill Discounting: Bill discounting is a lucrative fund-based service provided by the finance companies. Bill of Exchange is a negotiable instrument. It is used for financing a transaction in goods. Bill discounting is an act of handing over an endorsed Bill of Exchange for ready money.

The margin between ready money and the face value of the bill is called discount. The development of bill discounting as a financial service depends upon the existence of a full-fledged bill market in the country. The finance companies act as bill-brokers between banks and businessmen.

VENTURE CAPITAL

Venture capital may be defined as, "money provided by investors to start up firms and small businesses with perceived long-term growth potential."

Venture capital is also called "RISK CAPITAL".

It is provided as "seed funding" to early stage, High Potential Companies.

It is a very important source of funding for starting up new businesses who do not have access to capital markets. It typically entails high risk for the investor, but it has the potential for above-average returns. It is a finance that is furnished to start-up companies that have a high potential growth but are still too small to raise capital and are not yet capable of obtaining a bank loan.

Venture capital can also include managerial and technical expertise. Most venture capital comes from a group of wealthy investors, investment banks and other financial institutions that pool such investments or partnerships. This form of raising capital is popular among new companies or ventures with limited operating history which cannot raise funds by issuing debt.

The downside for entrepreneurs is that venture capitalists usually get a say in company decisions, in addition to a portion of the equity.

Venture capital comes from institutional investors and high networth individuals or families and is pooled by dedicated firms. A venture capitalist is expected to bring managerial and technical expertise as well as capital to their investment who are called **venture capitalist**.

FEATURES OF VENTURE CAPITAL

1. Venture Capital Financing is in the **form of equity participation** rather than giving it as loan or debt.
2. Venture capital involves financial investment **in highly risky projects** with the objective of earning a high rate of returns.
3. Venture capital involves not only investing money but also **active participation in the management of the company** by the person who has made investments in the company.
4. Venture Capital Financing is usually done for companies which are **small level or medium level** and also relatively newly formed companies are the preferred choice of venture capitalist.

5. Venture capitalist does Venture Capital Financing in order to make a capital gain on equity investment at the time of exit.

6. It is a long term investment as it takes a lot of time to time to encash investment in securities made by venture capitalists.

7. Venture capitalist divests his or her holding once the investments has generated returns in accordance with the venture capitalist desired return.

TYPES OF VENTURE CAPITAL

There are several types of Venture Capital:

1. **Private venture capital partnerships** are perhaps the largest source of risk capital and generally look for businesses that have the capability to generate a 30 percent return on investment each year. They like to actively participate in the planning and management of the businesses they finance and have very large capital bases -up to \$ 500 million-to invest at all stages.
2. **Industrial venture capital pools** usually focus on funding firms that have a high likelihood of success, like high-tech firms or companies using state-of-the-art technology in a unique manner.
3. **Investment banking firms** traditionally provide expansion capital by selling3 company's stock to public and private equity investors. Some also have formed their own venture capital divisions to provide risk capital for expansion and early-stage financing

FACTORING MEANING The word "FACTOR" has been derived from the Latin word 'FACERE' which means TO MAKE OR TO DO'. In other words it means TO GET THINGS DONE'. According to the Webster dictionary 'FACTOR' is an agent, as a banking or insurance company engaged in financing the operations of certain companies or in financing wholesale or retail trade sales, through the purchase of account receivables.

FACTORING is a "continuing arrangement "between a financial institution (the factor) and a business concern (the client) selling goods or services to trade customers (the customer) whereby the factor purchases the client's accounts receivables/book debts either with or without recourse to the client and in relation thereto controls the credit extended to the customers and administers the sales ledger.

Parties to Factoring Contract

There are three parties involved generally in a factoring contract, viz.,

1. **Buyer of goods (i.e. customer)** who has purchased goods or services on credit and as such has to pay for the same once the credit period gets over.
2. **Seller of goods (i.e. client)** who has supplied goods or provided services to the customers on credit terms.
3. **"Factor who purchase the invoices** (receivable) from seller of goods and collect the money from the customers of his clients.

DEFINITIONS

According to V.A. AVADHANI **"Factoring is a service of a financial nature involving the conversion of credit bills into cash."**

ROBERT W. JOHNSON states, **"Factoring is a service involving the purchase by a financial organization, called a factor, of receivables owned to manufacturers and distributors by their customer with the factor assuming full credit and collection responsibilities".**

In the words of KOHOK, **"Factoring is an asset based means of financing by which the factor buys up the book debts of a company on a regular basis, paying cash down against receivables, and then collects the amounts from the customers to whom the company has supplied goods".**

PROF. S.P. SINGH,

"Factoring which traditionally meant buying of book debts for cash - is not merely invoice discounting or credit insurance.

CHARACTERISTICS OF FACTORING

1. usually the period for factoring is 90 to 150 days. Some factoring companies allow even more than 150 days.
2. Factoring is considered to be a costly source of finance compared to other sources of short term borrowings.
3. factoring receivables is an ideal financial solution for new and emerging firms without strong financials. This is because credit worthiness is evaluated based on the financial strength of the customer (debtor). Hence these companies can leverage on the financial strength of their customers.
4. Bad debts will not be considered for factoring
5. Credit rating is not mandatory. But the factoring companies usually carry out credit risk analysis before entering into the agreement.

FUNCTIONS OF FACTORING -'Factoring 'Simply refers to the process of selling trade debts of a Company to a financial institution.

1.Purchase & Collection of Debts -Factoring envisages the sale of trade debt to the factor by the company, that is the client. It is where factoring differs from discounting, Under discounting, the financier simply discounts the debt backed by account receivable of the client. He does so as agent of the client but, under factoring, the factor purchases the entire trade debt and thus, he becomes the holder for value not an agent. Once the debts are purchased by the factor, collection of those debts becomes his duty automatically.

2 Sales Ledger Management - Once the factoring relationship is established, it becomes the Factor's responsibility to care of all the functions relating to the maintenance of sales ledger. The factor has to credit to customers account whenever the payment is received, send monthly statements to the Customers and to maintain the liaison with the client and the Customer to resolve all possible disputes. He has to inform the client about the balances in the account, the overdue period, the financial standing of the Customers, etc. Thus, the factor takes up the work of monthly sale

3. Credit Investigation and Undertaking of Credit Risk The factor has to monitor the financial position of the Customer carefully, since; he has assume the risk of default in payment by Customer due to their financial inability to pay. This is assumption of Credit risk is one of the important functions which the factor accepts. Hence, before accepting the risk, he must be carefully aware of the financial viability of the Customer, his past financial performance record, his future ability, his honesty and integrity in the business world etc. For this purpose, the factor also undertakes Credit investigation work.

4. Provision of Finance-After the finalization of the agreement and sale of goods by the client, the factor provides 80 % of the credits sales as pre - payment to the client. Hence, the client can go head with business plans or production schedule without any interruption. This payment is generally made without any recourse to the client. That is, in the event of non payment, the factor has to bare the loss of payment.

5. Rendering Consultancy Services Apart from the above, the factor also provides management services to the client. He informs the client about the additional business opportunities available, the changing business and financial profiles of the customers

TYPES OF FACTORING SERVICES

The various types of factoring arrangements can be classified into the following categories:

1. **Full Servicing Factoring service.** This is also known as without recourse factoring. It is the most comprehensive type of factoring arrangement offering all types of services, namely: (a) Finance, (b) Sales ledger administration, (c) Collection, (d) Debt protection, and (e) Advisory services. The most important characteristic of this type of factoring service is that it gives protection against bad debts to the client. In other words, in case the customer fails to pay, the factor will absorb the losses arising from insolvency or bankruptcy of the client's customers.

2. **Recourse Factoring:** In such a type of factoring arrangement, the factor provides all types of facilities except debt protection. That means the client is responsible for any bad debts arising from insolvency of the client's customers.

3. **Maturity Factoring** : Under this type of factoring arrangement, client. as except for providing finance,all other facilities are provided to the client as far as finance is concerned, the client is paid at the end of a predetermined date or maturity date whether or not customers have settled their dues in respect of credit sales

4. **Invoice Discounting**: In such type of arrangement, only finance is provided, hence, no other services are offered in respect of receivables.

5. **Agency Discounting**: Under this arrangement, the facilities of finance and protection against bad debt are provided by the factor. As against this, the sale ledger administration and collection of book debts are carried out by the client himself.

Housing Finance: National Housing Bank was set up in 1988 as principal housing finance institution to provide housing finance as a fund-based financial service in the country. It plans the role of promotion, regulation and financial support with the help of other agencies. NHB provides financial support to housing finance companies in the form of equity capital, refinance, promotion of loan-linked instruments and mortgage backed securitisation. A diversified housing finance system has emerged in the country. The main participants are NHB, HUDCO, commercial and cooperative banks, specialised financial institutions, private and joint sectors.

There are some institutions known as Specialised Housing Finance institutions which cater only to the needs of the housing sector. They are Housing Finance Companies and Co operative Housing Finance Societies. A lead player in the housing finance is HDFC Ltd. followed by Gujarat Rural Housing Finance and Diwan Housing Finance Ltd. They lend mainly for new residential housing to individuals, groups of individuals and individual members of Housing Co operative Societies. Besides, there are a number of HFCs sponsored by banks such as SBI Home Finance, Canfin Homes, Ind Bank Housing Finance and Citi Home Finance.

Forfeiting:

Forfeiting is a financing and risk management tool available to the exporters. In case of international trade an exporter relinquishes his right to the receivables due to him at a future date in return for immediate cash payment.

The exporter discounts the export receivables with the forfeiture and surrenders his rights to claim payment from the importer. Thus, the forfeiting enables the exporter to convert his credit sales into cash by discounting his receivable with the forfeiture. The exporter is relieved of the risks of international trade.

Working of Forfeiting:

(1) **Commercial Contract:** Exporter and Importer enter into a commercial contract. The contract provides the basic terms of the arrangement such as cost of forfeiting, a cover risk, commitment charges, grace period, fee to compensate the forfeiter for loss of interest due to transfer and payment delays, period of forfeiting contract, repayment, instalment rate of interest and so on.

(2) **Transactions:** The exporter sells and delivers the goods to the importer on a deferred payment basis.

(3) **Notes Acceptance:** The importer accepts a series of promissory notes in favour of the exporter for payment including interest charges.

(4) **Factoring Contract:** The factoring contract with the forfeiture usually being a reputed bank, including the exporter's bank.

(5) **Sale of Notes:** The exporter sells the bills to the bank (forfeiter) at a discount without recourse.

(6) **Payment:** The exporter makes payment to the forfeiture for the face value of the bills less discount. The forfeiter either holds these notes/bills till maturity for payment by the importer's bank or securitise them in order to sell them as short-term high-yielding unsecured paper in the secondary market.

Consumer Credit: Last 10 years in India was a boom period in consumer credit. Before this, regulations had restricted the availability of credit through rigorous restrictions. The increase in the disposal income of households has given way for increase in the consumer credit segment. Typically, financial services and other lenders of consumer credit manage a large volume of customer accounts and have developed the appropriate information and computer technologies to deal with it.

Credit Rating: Credit Rating is an opinion on the credit quality of a debt instrument offered by a credit rating company. It is an expression of opinion of the credit rating agency about the risk of a security. Credit rating is revealed through symbols such as 'AAA' or 'AA', 'BB' etc. The opinion is subject to change over the life of the security. In India, credit rating has been made compulsory by SEBI for the companies who are going for issue of debentures, bonds, Fixed Deposits, Certificate of Deposits etc. CRISIL, ICRA and CARE Ltd. are the leading credit rating agencies in India.

(2) **FEE BASED FINANCIAL SERVICES:**

(a) **Issue Management:** The new issue of shares or debentures of a public limited company are offered to the general public. SEBI has prescribed ground rules relating to the capital issue procedures. These are in addition to the law requirements for the issue of securities. The legal and procedural requirements pertaining to capital issue activities are applicable to all public issues. These cover the eligibility norms, pricing of issues, promoter's contribution, lock in requirements, contents of offer documents, issue advertisement norms, book building, issue of securities through online stock exchange. Normally issue management functions are carried out with the help of Merchant bankers. Merchant Banking Services are mainly related to issue management, such as drafting the prospectus, getting it approved from SEBI, appointment of bankers, brokers, underwriters, registrars, deciding the issue price, listing with stock exchange, collection and sorting out the share applications, helping to make allotment and keeping the record of shares etc

(b) **Portfolio Management:**

Portfolio management is the process of investment in securities. It involves proper decision-making. A portfolio is a collection of different securities. It involves proper money management. It is a dynamic and flexible concept and involves continuous and systematic analysis, judgement and operations. The portfolio manager can invest the funds in capital market and money market. He acts as a fiduciary capacity. A few major banks and financial

(c) **Corporate Counselling:**

Corporate counselling involves advising or guiding the companies in their activities, Promoters face problems from time to time. The banks and experts provide corporate counselling from time to time. It involves additional product line, expansion of business, mergers, and acquisitions, Turnaround management, revival of sick units etc.

(d) **Loan base Syndication:**

Loan syndication means arranging a group of banks and financial institutions to provide loans for projects. Risky projects require large amount of capital which may not be available with one bank. The financial institutions or experts make the arrangement of such finance with the help of syndicate of banks or financial institutions. Thus, they provide financial services to the companies as well as banks. They can charge their fees to either or both the parties.

(e) **Arranging Foreign Collaboration:** Foreign collaboration is an arrangement between two companies from two different countries for mutual help, cooperation and sharing benefits in common. They help to remove technological gaps in the developing countries and facilitate their economic and industrial growth. Foreign collaborations exist in both-the public and private sectors. Appraisal of foreign collaborations is made at the government level and also at enterprise level. At these levels financial, technical, marketing and managerial aspects are to be analysed critically. Similarly, there is a need for middlemen to help to get foreign collaboration. Therefore, the banks, financial institutions, management consultants help to provide foreign collaboration to the companies in India.

(f) **Mergers and Acquisitions:**

Mergers and Acquisitions are used as a form of business organisation to seek external growth of business. A merger is a combination of two or more firms in which one firm would survive and the other would cease to exist. Its assets and liabilities are taken over by the surviving firm. An acquisition implies acquiring controlling interest in a company by another company. It simply means a change of controlling interest in a company through the acquisition of its shares by another group.

(g) **Capital Restructuring:**

Public limited companies have to decide their capital structure effectively. In this respect it is necessary to take the help of financial expert. Capital restructuring means changing the composition of capital of a company. However, it is difficult to change the structure in between. However, when the company wants to expand the business, start a new business or to start a new product line, the capital should be restructured. While restructuring capital of a company, the concept of Trading on Equity, Debt-Equity Ratio, Capital Gearing etc. principles should be followed.

(3) BANKS OTHER FINANCIAL SERVICES:

(a) Transaction Services - Money Transfer:

Transaction services rendered by banks include services related to money transfer. These services include issue of Demand Draft, Traveller's Cheques, Mail Transfer, Telegraphic Transfer. Demand draft is a mode of transfer of money from one place to other. In this case the transferor has to deposit certain money with the bank along with commission and request for issue of demand draft in favour of transferee. The bank receives the money and then issues a demand draft in the form of cheque in favour of transferee. The transferor sends this draft to the transferee who will deposit the draft in his bank account and then withdraw money from his account. The drafts drawn on local banks is called as 'Banker's cheque'. In case of traveller's cheque the person can deposit money in a bank and get Traveller's cheques in his name. These cheques can be encashed at the branches of the issuing bank at any place during travel.

(b) **Custody Services Safe Deposit Locker:**

Banks provide custodial services to their customers. For this purpose Safe Deposit Lockers are provided to the customers on rental basis. The customers can keep their valuables in the locker such as important documents, gold and silver ornament etc. The depositors cannot keep cash in the locker. There are two keys one with the branch manager and the other with the Customer. This service is very important to the customers in these days.

(c) **Credit Card Services:** Credit card is the most popular version of plastic money. It is a rectangular thin sheet of plastic, about the size of a visiting card, issued by a bank which enables the card holder to purchase goods and services without having to pay for them immediately. The bank charges annual fees for the use of credit card and the cardholder is required to pay at least 5 percent of the amount due every month. The bank also charges interest at certain percentage on the credit availed by the holder. Plastic culture has been catching up in India very fast. The foreign banks started issuing credit cards in India, but today, many Indian banks have also been issuing credit cards to their customers.

(d) **Electronic Purse:** The card has space for several electronic purses each for the storage of an amount. These can be used for different types of accounts of the user. IN addition there is space for user data such as address branch where the user has his account and even last 30 to 50 transactions.

Electronic purse provides a new method of payment which allows the bank to enter a transaction market which is complementary to the credit or debit card transaction market The advantages of the processor smart card are security reliability and longer life. It represents a single method of accepting payments with no cash that to manage and no risk of theft.

(e) **RuPay** Introduction: **RuPay** is an **Indian domestic card** scheme conceived and launched by the National Payments Corporation of India (NPCI). It was created to fulfil the Reserve Bank of India's desire to have a domestic open loop and multilateral system of payments in India. It facilitates electronic payment at a Indian Banks and financial institutions and competes with MasterCard and Visa Card. It was launched on 26th March, 2012. NPCI entered into a strategic partnership with Discover Financial Services (DFS) for the RuPay card, enabling the acceptance of RuPay Global cards on Discover Global Payment network outside of india.

Issuers: Banks in India are authorized to issue RuPay debit Cards to their customers for use at ATM, point of sale (PoS) terminals and e-commerce websites. RuPay cards are accepted at all ATMs across India under National Financial Switch and have the high technology chip named EMv (Europay Master and Visa)

Benefits of RuPay Cards:

RuPay also provides a unified 'Kisan Card' issued by banks across the country under Kisan Credit Card, enabling farmers to transact business on ATMS and PoS terminals.

PUNRGRAIN (Punjab Grains Procurement Corporation Ltd.) pays commission agents through the RuPay Debit Card and developed a commission agents network called the **Kisan Arhtia Information and Remittance Online Network** (KAIRON) with the help of the National Payments Corporation of India.

RuPay has a lower transaction cost since processing will be done within the country. Users will set alerts for every transaction made through this card. Personal vehicles, loan against property, etc.

Difference between RuPay and Master Card:

(1) **Processing Fees:** Every transaction through RuPay will take place within India. The banks will have to pay less service charges to the payment gateway as compared to Visa, MasterCard and others. For an example, If a person does a transaction of Rs. 2,000 then banks will have to pay around Rs. 2.50 when RuPay is used whereas for the same transaction amount, Visa or MasterCard will charge Rs. 3.25. International cards is processed in foreign country which involves higher charges which helps in generating profit for visa, MasterCard whereas RuPay transactions would happen domestically.

(2) **Faster transaction:** RuPay transactions are done within India. So transaction would be faster when compared to other cards.

(3) **International Acceptance:** RuPay card does not have International acceptance, whereas visa or MasterCard have been in the Market and it is accepted by retailers online or offline such as Flipkart, Amazon, eBay, Jabong, Walmart, etc.

(4) **Quarterly fees:** Visa and other banks have to pay a quarterly fee but for RuPay card it is not required.

(5) **Card Type:** RuPay offers only debit card whereas Visa and MasterCard offers Debit and Credit cards.

(6) **Entry Fee:** International cards banks have to pay entry fee for a part of their network which is not the case with RuPay card i.e. no joining fee for the banks.

(7) **Member Banks:** RuPay is offered by Public Sector, selected private banks, rural. & cooperative banks whereas Visa and MasterCard would include smallbanks.

(4) SECURITIES RELATED SERVICES:

Banks provides the following services which are related to securities:

(a) Securities Lending Services: All Banks do not have electronic fund transfer system. Some banks have started electronic fund transfer recently. However, it is applicable to a few transactions. Although, on securities delivery and receipt side Indian clearing and settlement is at par with modern markets in the world, it lags on money, receipt and payment. Some of the banks have started Demat accounts and securities trading. There is a provision of securities lending services offered by the banks to the brokers and other Institutional investors who carry out trading in stock market. Banks dealing in securities trading and demat are lending securities for some time to enable the investors to complete the settlement of securities in time. Banks are charging some commission or fees for this service.

(f) **Letter of Credit:** Letter of credit is a letter issued by a bank to its agent or customer either at home or abroad, requesting to advance to the person named in it, a certain sum of money and charge the amount advanced to the account of the latter. It is a sort of guarantee given by the bank to a particular person on behalf of another person. It is mostly used in export-import trade. It can also be used in domestic market for financing trading activities. This is also a kind of financial service which helps the traders to increase their business. The bank charges certain amount of fees or commission for issue of letter of credit.

(g) **Guarantees:** Guarantee is a security given by a bank to a third party on behalf of its customer. It is a contract to perform the promise or discharge the liability of a third person in case of his default. The bank gives guarantee therefore, it is called a surety. The person in respect of whose default the guarantee is given is called principal debtor. The person to whom guarantee is given is called creditor. The bank gives guarantee against payment of certain fees, therefore, it becomes a financial service, Bank guarantee is required by the government, business firms, local authorities from the parties who undertake to carry out certain work. The contract of guarantee is supported by consideration.

(b) **Securities Clearing Services:** Indian equity market was basically paper based. dematerialisation i.e. paperless trading has been introduced in the securities market. Stock exchanges have started clearing houses with the help of banks. BSE started BOI shareholding limited as its clearing house. Clearing of securities and money in few segments has become smoother due to introduction of securities clearing system. NSE has also floated National Securities Clearing Corporation Ltd. for providing clearing of securities with the help of banks. Many other exchanges have also floated clearing houses.

c) **Settlement Services:** Indian Stock Market has introduced Rolling settlement in most of the securities. Indian Stock Market has switched over to T+2 settlement system from April 2003. With the dematerialisation and separate clearing and settlement mechanism Indian securities markets have been pushed towards international standards Indian banks provide settlement services to the stock market. The settlement of money i.e. receipt and payment has been done with the help of banks. The banks are acting as middlemen in the settlement system. For these services, banks are getting fees or commission from the stock exchanges.

(d)**Securities Trading Services:** Some banks have been involved in securities trading in India. They have started Institutional broking business. ICICI Bank and HDFC Bank are leading players in the securities trading. Other banks are also involved in this process. They act as brokers and carry out buying and selling of securities on behalf of their customers They are also providing online trading facilities in trading in securities.

(e)**Private Placements:** A company makes an offer of sale of securities to institutions privately without the issue of a prospectus. This method saves the cost of issue of securities. This also saves time of issue of securities. Institutional Investors like banks and financial institutions play a very important role in the private placement. Banks can buy the securities from the companies through private placements and then after some years, these securities can be sold in the market, thus making profit on it. Therefore, these banks and financial institutions provide valuable services to the companies particularly small and medium companies.

(f) Underwriting Services: Underwriting means bearing the risk of not being able to sell securities at the established price by virtue of purchasing the securities for resale to the public. Underwriting is mandatory for the full issue and minimum requirement of 90% of subscription is compulsory for each issue of capital to the public. The issuing company has to appoint banks, brokers or financial institutions as underwriters. Many banks acting as underwriters have to register with SEBI for this purpose. These underwriting services are provided by the banks, brokers, investment companies and lending institutions. They get commission for their services, The banks have financial capacity, the network of investor clientele and reputation, therefore, they can act as underwriters.

(g) Depository:

The depository is an organisation where the securities of investors are held in the form of electronic accounts. It holds electronic custody of securities and also arranges for transfer of ownership on the settlement dates. This system is also known as scripless trading system. A depository transfers securities without physically handling securities. A company eligible to provide depository services must register with SEBI. Before the introduction of depository.

Following problems were faced by the investors:

- **Bad deliveries.**
- **Fake certificates.**
- **Loss of certificates in transit.**
- **Mutilation of certificates.**
- **Delay in transfer.**
- **Long settlement services.**
- **Mismatch of signatures.**

The **Depositories Act** was passed in 1996 in India. Accordingly two depositories have been acting in India today i.e. **National Securities Depository Ltd. (NSDL)** and **Central Depository Services (India) Ltd. (CDSL)** it present 10 stock exchanges are connected with Depositories including BSE and NSE. A **Depository Participant** is an agent of the Depository and acts as the interacting medium between the depository and the investor. A **DP** is a person registered with SEBI and must possess requisite qualifications prescribed by the Depository.

The facilities offered by the Depositories are as follows:

- (i) Opening of demat account.**
- (ii) Dematerialisation of securities.**
- (iii) Rematerialisation of securities.**
- (iv) Settlement of trades in dematerialised securities.**
- (v) Account transfer.**
- (vi) Pledge and hypothecation.**
- (vii) Stock lending and borrowing**

(h) **Merchant Banking:** A Merchant Banker is any person who is engaged in the business of issue management either by making arrangements regarding selling/buying or Subscribing to securities acting as management consultant or adviser in rendering corporate advisory services in relation to iSSue management. Issue means offer for sale/purchase of securities by any company to the public or group of persons, Merchant Bankers require compulsory registration with the SEBI, to carry out their activities. There are four categories of Merchant Bankers depending upon the services rendered by them. There is a code of conduct for Merchant Bankers. Every Merchant Banker or lead manager has to enter into an agreement with the issuing companies, setting out their mutual rights, liabilities and obligations relating to issue disclosures and allotment and refunds. The lead manager is also responsible for the verification of the contents of prospectus or letter of offer of an issue and reasonableness of the views expressed in them. He has to submit, a. due diligence certificate to the SEBI, at least two weeks before the opening of the issue for subscription. The SEBI imposes. penalties for non-compliance of conditions for

(5) INSURANCE RELATED SERVICES:

(a) Every insurer who wants to write inward insurance business should have a well-defined underwriting policy for such business. The company should ensure that decisions on acceptance of reinsurance business are made by persons with necessary knowledge and experience. The company should with the IRDA a note on its underwriting policy stating the class of business, geographical scope, underwriting limits and profit objective. The company should also file any changes to the note whenever he makes in the underwriting policy. Thus, underwriting is an additional financial service in insurance business.

(b) **Re-insurance** means placement of business by the insurer with any other reinsurer. A life insurer can have reinsurance treaty arrangement with its promoter or associate group company only on commercially competitive terms in the market with the prior approval of the IRDA. He should submit to the IRDA, statistics relating to reinsurance transactions in the prescribed form together with its annual accounts. The Indian reinsurer should organise domestic pools for reinsurance surpluses in fire, marine, hull and other classes in consultation with all insurances on basis, limits and terms which are fair to all, insurers and assist in maintaining the retention of business.

(c) An insurance broker is a person licensed by the IRDA for remuneration who arranges insurance contracts with insurance companies on behalf of his clients. There are direct, reinsurance and composite brokers. Direct broker carries out the business in the field of general or life insurance. Reinsurance broker arranges reinsurance for direct insurers with insurance companies. A composite broker arranges insurance for clients with insurance companies for his clients.

(6) OTHER FINANCIAL SERVICES:

(a) Other financial services include project financing, deposit broking, public sector disinvestment, treasury management and equity research. There is a demand for private sector investments in infrastructure projects, particularly in the energy and road sectors which has considerable potential for adequately structured project finance transactions. Financial institutions such as banks provide these services to the private sector. The banks also help the companies in raising public deposits from the investors. Banks act as a broker in providing the deposits to the companies. The investors have to deposit the money with the banks in the name of the companies.

These are fixed deposits for a period of 6 months to 3 years at certain rate of interest. Banks provide services to the companies in the form of brokers in collecting the deposits. Public sector disinvestment means selling the shares by government companies to the public or private sector as a process of privatization and raising revenue to the government. In this process the banks render services to the public sector in completing the disinvestment process by way of collecting funds, deciding the price of shares, making strategic sale of shares etc.

(b) Treasury management deals with managing funds or money, Finance companies, mutual funds and other public sector undertaking are having large amount of funds which has to be invested properly in order to get reasonable return. This job is also done by a few banks through the Asset management companies. This is a special type of financial service. Banks are also involved in equity research which is useful for investors and portfolio managers.

(c)Cashless Transactions:

A cashless transaction is a financial transaction which is not conducted with money in the form of physical bank notes or coins, but rather through the transfer of digitalisation between transacting parties.

The main easy ways to make cashless payments are as follows:

(1) Net Banking:

It allows the customer to use banking services from any place across the country.

To use net banking, a customer should need an internet connection, a username and a password to log into a customer net banking website. With the help of net banking, customer can check their account balance, statements, pay credit bills electricity bills, do a Wifi recharge, online shopping, book e-tickets etc. . It allows to do third party payment transfer, and also to apply for a loan, purchase of mutual funds insurance etc.

The process of financial transaction options such as IMPS, NEFT, RTGS.

(2) Credit Card:

Credit card is used to replace the cash transactions, and the goods/services can be used in credit basis. It saves customer time as there is no need to go to banks or ATMs. On every purchase made through credit cards, the customer will get reward points which again can be used for the purchase of other products. Credit is the grace period given by the banks for paying up the bill, and the credit limit based on income level.

(3) Debit Cards:

Whenever the customer is in need of money, this card will provide cash 24 x 7 through any ATM machine. These are bank account-linked ATM Cards that are mainly used for withdrawing cash. Debit cards can be used for online transactions and at merchant outlets.

(4) India QR Code:

It is significantly greater move taken by the government to launch the 'India QR Code' for making payments using the cryptic matrix barcodes technology. The customer cannot make payments to paytm's. This code will facilitate financial transactions between Visa / Master Card / RuPay /UPI /Aadhaar enabled payments and bank transfers. It can easily make transactions without disclosing any personal information to the third party.

(5) Digital Wallets:

Instead of using physical wallets to keep cash, customers can keep money in e-wallets. It is a mobile based application which can be downloaded from any app store and can be accessed through mobile phone. Transactions can be done across the country. E-wallets are offered by Paytm, Mobikwik, Freecharge, Oxigen, Reliance money etc. Paytm: Paytm wallet can be used to buy goods and avail services online and offline. It can be recharged through net banking and debit and credit cards. It can be used to make on paytm recharges for mobile phones, metro cards, DTH Cable, Postpaid payments, Electric bill, etc. and even can do e-booking, online shopping etc. You can buy goods and services on the company's e-commerce platform using the wallet, and even make offline payments at over 8 lakhs merchants paytm claims

6) UPI (Unified Payment Interface):

It enables customers transfer money from one bank account to another. It is an infrastructure provided by NPCI's (National Payment Corporation of India) to all the public, private and cooperative banks where they can build their own interface and help the common man easily make micro payments. The customer should need virtual address (a single identified code), account number with FSC code, mobile number or adhaar number. UPI works 24 x 7 on real time fund transfer system.

(7) E-Coupons:

Electronic coupons are offered by various online mega stores for taking discounting on purchase done through online shopping. They carry unique identification code which can be accessed through e internet at particular sites. Example Groupons, nean coupons, shopping site coupons etc.

(8) Physical Coupons:

These are paper coupons which come in small denominations of Rs. 10 to Rs. 50 with a validity of 6 months to 18 months. These are used by corporates to reward their employees (e.g.) Pizza hut, Domino's KFC, Big Bazaar etc.

(9) AEPS (adhaar Enabled Payment System):
Customers can use Adhaar cards as a debit card in various merchant stores. These cards have been already linked to your bank accounts. Finger scanner at the merchant's store will be used to do your payments. It is used to do micro Payments less than Rs. 4,000.