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D FOR DIFFERENCE IN BANKING----------

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1 ---------- BANK..... vs ..... NBFC

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BANK ----------

1. Definition --- Banking is acceptance of deposits withdrawals by cheque or demand.

2. DICGC--- Deposit insurance facility is available.

3. Scope of Business --- for banks limited by section 6(1) of the banking regulation act.

4. Licensing Requirement --- are quite stringent. Transfer of shareholding is also controlled by RBI.

5. Major Privileges --- can exercise powers of recovery under SARFAESI & DRT law.

6. Form part of the Payment & Settlement system & can issue cheques on drawn on itself.

7. SLR/CRR requirements --- Banks are covered by SLR/CRR requirements.

8. Foreign Investment --- Up to 74% allowed to private sector banks.

9. Priority sector lending requirements --- Certain minimum exposure to priority sector required.

10. Can accept demand deposits.

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NBFC ---------

1. NBFC cannot accept demand deposits, therefore cannot write a checking facility.

2. DICGC --- Deposit insurance facility is not available.

3. Scope of business --- No bar on NBFCs carrying activities other than financial activities.

4. Licensing requirements --- it is quite easy to form an NBFC. Acquisition of NBFC's is procedurally regulated but not approval required.

5. Major Privileges --- cannot have powers under SARFAESI or DRT law.

6. Do not form part of the Payment & settlement system & cannot issue cheques drawn on itself.

7. SLR/CRR requirements --- NBFC's have to maintain a certain ratio of deposits in specified securities.

8. Foreign investment --- Up to 100% allowed.

9. Priority Sector Lending requirements --- Priority sector norms are not applicable to banks.

10. Cannot accept demand deposits.

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2 ----------SAVING A/C.....vs.....CURRENT A/C

SAVING A/C ----------

1. Used by all Indian citizens even children above age 10.
2. ATM, Check book & Pass book.
3. Interest Receives on deposits.
4. Overdraft facility is not available.
5. Number of cheque withdrawal is limited.

CURRENT A/C ----------

1. Used by all Businessmen.
2. ATM, Check book & Pass book.
3. No interest Facility available.
4. Overdraft Facility is available.
5. Number of cheque withdrawal is not limited.

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3 ----------RD.....vs.....FD

RD ----------

1. Short term.
2. Monthly instalment paid.
3. It is a saving.
4. Customer is penalize on failing to instalment.
5. Interest is low.

FD ----------

1. Long term.
2. Onetime payment.
3. It is an Investment.
4. No such penalty but FD get renew automatic.
5. Interest is high.

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4 ----------CHEQUE.....vs.....DEMAND DRAFT

CHEQUE ----------

1. Cheque can get dishonoured.
2. Cheque is not backed by bank guarantee.
3. Cheque can be made payable to bearer.
4. Cheque is defined in section 6 of Negotiable Instruments act, 1881.

DEMAND DRAFT ----------

1. Demand draft is always honoured.
2. Demand draft is backed by bank guarantee.
3. Demand draft cannot be made payable to the bearer.
4. Demand draft is defined in section 85 of Negotiable Instrument act, 1881.

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5 -------DEMAND LIABILITIES.....vs.....TIME LIABILITES

DEMAND LIABILITIES ----------

1. Demand liability is a deposit maintained in saving account or current account, which are payable on demand through a withdrawal form of a cheque.

2. Examples --- Demand drafts (DD's) , Mail transfers (MT's), Telegraphic Transfers (TT's), Unclaimed Deposits, Interest on Fixed Deposits(FD's), Current Deposits, Demand liabilities portion of saving bank deposits & unclaimed balance accounts.

TIME LIABILITIES ----------

1. Time liability is a fixed deposits for time period which is not payable on demand but after time period.

2. Examples --- Fixed deposits, Cash certificates, Cumulative & recurring deposits, Time liabilities portion of saving bank deposits, staff security deposits and Margin held against letter of credit if not payable at demand.

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6 ----------CRR.....vs.....SLR

CRR ----------

1. CRR uses total deposit as reference.
2. CRR has to be maintained in cash.
3. Banks don't earn any returns from the money parked in the form of CRR.
4. CRR controls liquidity in banking system.
5. CRR is used to control inflation.
6. Range ---- No floor and ceiling.

SLR ----------

1. SLR uses the total demand or liabilities as the reference while calculating the money to be held.
2. SLR can be maintained either in cash or in assets that RBI suggests as gold, government bond and government securities.
3. Banks can earn returns from SLR.
4. SLR regulates credit growth in country.
5. SLR is used to control inflation.
6. Range ---- no floor but ceiling is 40%.

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7 ---------- LAF ..... vs .....MSF

LAF ----------

1. Minimum Borrowing amount is 5 crore.
2. All clients of RBI are eligible to borrow.
3. Bank cannot sell Government security to RBI that is part of bank's SLR quota.
4. LAF lending rate is always equal to Repo rate.
5. NBFC can also borrow.
6. No limit you can borrow as much as you want.

MSF ----------

1. Minimum Borrowing amount is 1 crore.
2. Only Scheduled Commercial Banks can borrow.
3. Bank can sell government security to RBI that is part of bank's SLR quota.
4. MSF lending rate is always equal to repo rate + 1%.
5. NBFC cannot borrow.
6. Maximum 0.75% of NDTL can be borrowed.

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8 --------QUANTITATIVE TOOL.....vs.....QUALITATIVE TOOL

QUANTITATIVE TOOL ----------

1. Reserve ratios (CRR,SLR), Open market operation & Policy rate (repo)
2. Indirect in nature, that is banks not necessary to do same as RBI and change its base rates.
3. On General they effect money supply in entire economy – be it housing, automobile, manufacturing – everything.
4. Used majorly to control inflation.

QUALITATIVE TOOL ----------

1. Margin requirements/LTV, Consumer credit regulation, Selective credit control, Moral Suasion, Rationing of Credit & Direct action.
2. Direct in nature. Example --- those margin requirements.
3. Selective ----can affect money supply in specific sector of economy example – automobile.
4. Not used majorly to control inflation.

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9----------GDP.....vs.....GNP

GDP ----------

1. GDP = Consumption + investment + (Government spending) + (Exports – Imports)
2. Definition – Total value of products and services produced within the territorial boundary of a country.
3. Application – To see the strength of a country's local economy.

GNP ----------

1. GNP = GDP + NR (Net income inflow from assets abroad or Net income receipts) - NP (Net payment outflow to foreign assets)
2. Definition --- Total value of goods and services produced by nationals only (whether within or outside country)
3. Application – To see how the nationals of a country are doing economically.

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10 ----------FDI.....vs.....FII

FDI ----------

1. FDI cannot enter & exit that easily.
2. FDI are long term Investment.
3. FDI is considered to be more stable.
4. FDI targets a specific enterprise.
5. FDI is acquisition of physical assets or capital in India. It leads to change in management, transfer of technology increase in production etc.

FII ----------

1. FII can enter the stock market & also withdraw it easily.
2. FII are short term investment.
3. FII is less stable.
4. FII targets the capital markets of foreign country.
5. FII is investing into financial markets of India. Majorly secondary market.

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11 ----------NEFT.....vs.....RTGS

NEFT ----------

1. Settlement is done in batches.
2. Process is slow.
3. Suitable for small money transfer.
4. Credit happen in beneficiary account in the hourly batch between banks.
5. Transaction charge is less.
6. No maximum and minimum limits.
7. Works on net settlement basis.

RTGS ----------

1. Settlement is done individually.
2. Process is faster.
3. Suitable for large Money transfer.
4. Credit happen in beneficiary account real time between banks.
5. Transaction charge is high.
6. Minimum limit is Rs. 2 Lakhs.
7. Works on gross settlement.

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12----------CREDIT CARD .....vs.....DEBIT CARD

CREDIT CARD ----------

1. Monthly bills are present.
2. You can withdraw cash from ATM but you will be charge high interest rate as fees during return.
3. Spending Limit is set.
4. Not required to be connected to a checking account.

DEBIT CARD ----------

1. No Monthly bills are present.
2. You will not be charge or to pay any one except transaction charge.
3. No spending Limit. You can use your whole saving in your account.
4. Already connected to account.

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13 ----------KVP.....vs.....FD

KVP ----------

1. Duration – 8 years 4 months (100 months) is fixed.
2. Cannot get renew itself.
3. No special extra interest to senior citizens.
4. It will be available in denominations of 1000,5000,10000 and 50000.
5. Interest rates (8.7%) are low as compare to FD.
6. Initially it will be available in post office then in nationalized banks.
7. Investment range --- Minimum – Rs.1000 and Maximum --- Rs. 50000.
8. TDS will be there on Interest gained.

FD ----------

1. Duration --- 7 days, 1 month, 1 year, 3 year, 5 year and 10 year.
2. Get renew itself automatically.
3. Special 25 to 50 basis points to senior citizens.
4. It has no such denomination limits.
5. Interest rate (minimum 9%) is high as compare to KVP.
6. Available in banks only.
7. Investment range --- Minimum – Rs. 1000 and Maximum --- Rs. No limit.

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8. No TDS.

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14 ----------KVP.....vs.....NSC

KVP ----------

1. Issued by Department of Post initially later on by nationalized banks also.
2. Maturity -- 8 years & 4 months.
3. Interest Rate 8.7%.
4. At maturity Rs. 100 becomes Rs. 200.
5. Interest earned not qualifies under section 80C of the income tax i.e. tax on interest earned.

NSC ----------

1. Issued by Department of Post only.
2. Maturity -- 6 years.
3. Interest Rate 8%.
4. At maturity, Rs. 100 becomes Rs. 160.
5. Interest earned qualifies under section 80C of the Income tax i.e. no tax on interest earned.

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15 ----------SMALL BANKS .....vs.....PAYMENT BANKS

SMALL BANKS ----------

1. Can accept all types of deposits like a commercial bank (CASA, FDRD etc)
2. They can give out depositor's money as loans to other customers but small area of operation.
3. They will be opened under "Companies act 2013".
4. Target customers --- MSME businessmen, unorganized workers, small & marginal farmers.
5. Focus -- Deposits & Loans.
6. Who can apply ---- (1st)--- MFI, NBFC can convert their organization into small banks..... (2nd)--- Even individual with 10 years experience in bank/ cooperative sector can apply for license..... (3rd) --- large companies can't apply.
7. Conditions --- (1st) ------ 25% branches in rural area..... (2nd) -----50% of the loans to be given to MSME sector.

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PAYMENT BANKS ----------

1. Take deposit only on current account, saving account (CASA), cannot accept fixed deposit. Can't issue credit card but can issue debit card.
2. They can't give loans. They can invest depositors money in Government securities (G – sec) only.
3. Although they are allowed to sell mutual funds, Insurance & Pension products , accept utility bill payments etc. To keep branch operations profitable.
4. Targets Customers --- Poor, Migrants, unorganized workers wanting to send remittances home.
5. Focus ---- Payment / remittances only. Including cross border remittances.
6. Who can apply ---- (1st) ----- India Post, (2nd) ----- Corporate houses, (3rd) ---- Telecomm companies, (4th) ---- Retail Chains.... all these can even launch payment banks from joint venture with commercial banks.
7. Conditions --- Maximum balance per customer should not be more than Rs 1 lakh and minimum leverage ratio 3% i.e. liabilities should not exceed 33 times of its net worth.

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16 ----------PAYMENT BANK .....vs.....SCB

PAYMENT BANK ----------

1. Cannot give loans (credit).
2. Can accept Retail deposits.
3. Yes can make payments.
4. Maximum Deposit limit to Rs. 1 Lakh.

SCB ----------

1. Can give loans.
2. Can accept Retail deposits.
3. Yes, can make payments.
4. No, maximum limit on deposits.

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17 -----BROWN LABEL ATM.....vs.....WHITE LABEL ATM

BROWN LABEL ATM ----------

1. When banks outsourced the ATM operations to a third party.
2. The private company owns & operates the ATM machine pays office rent. They negotiable with the landlord, electricity company, Telecomm Company & so on.
3. Cash is provided by the bank which has outsourced this work.

WHITE LABEL ATM ----------

1. When ATM's are owned & operated by non-bank entities but they are not doing 'outsourcing contract' from a particular bank.
2. The private company owns & operates the ATM machine pays office rent. They negotiable with the landlord, electricity company, Telecomm Company & so on.
3. Sponsor bank provides the cash.

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18 --------TANGIBLE ASSET.....vs.....INTANGIBLE ASSET

TANGIBLE ASSET ----------

1. Tangible asset represents those assets which have a physical structure.
2. Examples of tangible assets ---- Machinery, Land & buildings.
3. Tangible assets can be destroyed by fire, hurricane or other disasters or accidents.
4. Tangible assets can be readily sold to raise cash in emergencies.

INTANGIBLE ASSET ----------

1. Intangible asset represents those assets that do not have a material existence.
2. Examples of Intangible assets --- Patents, Copyright, Trademarks etc.
3. Intangible assets cannot be destroyed by fire, hurricane or other disasters or accidents.
4. Intangible assets cannot be readily sold to raise cash in emergencies.

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19 ----------LOANS.....vs.....ADVANCES

LOANS ----------

1. Granted for longer period of time.
2. Interested is charged on sanction amount.
3. Example ---- Personal loan, Home loan etc.

ADVANCES ----------

1. Granted for shorter period of time.
2. Interest is charged on money withdrawn.
3. Example ---Cash credit and overdraft.

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20 ----------DIRECT TAX .....vs.....INDIRECT TAX

DIRECT TAX ----------

1. Imposed on production and income.
2. Imposed directly on individual and customers.
3. Examples --- Income tax, Corporation tax, Wealth tax, Gift tax, Company tax, Expenditure tax etc.

INDIRECT TAX ----------

1. Imposed on consumption and expenditure.
2. Imposed on good that are manufactured, Exported or Imported.
3. Examples --- Custom duty, Service tax, Road tax, Entertainment tax, Electricity tax etc.

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21 ---------MONEY MARKET.....vs.....CAPITAL MARKET

MONEY MARKET ----------

1. Less than one year investment.
2. Regulated by ---- RBI.
3. Offers low and steady returns.
4. Low risk investment.
5. Instruments ---- Call money, Notice money, T-bill, Commercial Paper, Certificate of Deposit etc.

CAPITAL MARKET ----------

1. More than one year investment.
2. Regulated by ---- SEBI.
3. Offers higher returns.
4. High risk investment.
5. Instruments --- Bond, Derivatives and Shares.

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