

DRA — Certificate Examination for Debt Recovery Agents

Complete Book | Table of Contents | 16 chapters + 9 additional sections

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CH-1 General Banking

Topic 1 — Indian Banking System

- **Long history** — Indian banking has grown over **two centuries**.
- **Early years** — Private banks led the system in the beginning.
- **Public ownership** — Setting up the **State Bank of India** and later **nationalisation** of banks raised public ownership.
- **Reforms** — New private banks came in after the **financial reforms of 1991-92**.
- **Technology** — Their use of technology raised customer service across the system.
- **Competition** — Today all banks compete to offer products of global standard.

Product group	Examples
Savings	Savings, current and term deposits
Remittance	Drafts, NEFT, RTGS, IMPS, UPI
Credit	Loans and advances
Ancillary / para-banking	Insurance, mutual funds and other risk management products

Everyone needs access to financial services; this is the aim of **financial inclusion**.

Topic 2 — Meaning of a Bank

A **bank** is a financial institution that acts as an **intermediary between savers and users of funds**. A **banking company** is a company that carries on the business of banking in India.

Provision (Banking Regulation Act, 1949)	What it says
Section 5(b) — banking	Accepting, for lending or investment , deposits of money from the public , repayable on demand or otherwise and withdrawable by cheque, draft, order or otherwise
Section 7 — name	Every company doing banking in India must use at least one of the words bank, banker, banking or banking company in its name
Section 49A — restriction	Only banking companies, RBI, SBI and persons notified by the Government may accept public deposits withdrawable by cheque , subject to legal exceptions

No institution can combine acceptance of public deposits with withdrawal by cheque, draft or order **without RBI approval**.

Topic 3 — Features of Banking

Feature	Meaning
Dealing in money	Accepts deposits (current, savings, fixed) and lends them to the needy
Withdrawable deposits	Deposits (other than fixed deposits) can be withdrawn by cheque, draft or otherwise, usually on demand
Dealing with credit	Banks create credit — extra money for lending; this is the unique feature of banking
Commercial nature	All functions aim at profit
Nature of agent	Banks also act as agents of customers through agency services

Topic 4 — Structure of Indian Banking System

Banks listed in the **Second Schedule of the Reserve Bank of India Act, 1934** are **scheduled banks**; others are **non-scheduled**.

Scheduled banks include

Public sector banks (SBI and nationalised banks)
Private sector banks: old private, new private, foreign, payments, small finance banks; local area banks (may be non-scheduled)
Regional Rural Banks
State Co-operative Banks and District Central Co-operative Banks
Urban Co-operative Banks

Conditions for inclusion in the Second Schedule

- Paid-up capital and reserves of **not less than ₹5 lakh**.
- RBI must be satisfied that the bank's affairs are **not conducted against depositors' interest**.

Remember this

- Second Schedule entry: capital + reserves at least **₹5 lakh**.

Topic 5 — Scheduled and Non-scheduled Banks

Point	Scheduled bank	Non-scheduled bank
Basis	Listed in Second Schedule, RBI Act	Not listed
Cash reserve (CRR)	Kept with RBI	Statutory reserve required, but may be kept with itself
RBI facilities	Access to eligible RBI facilities, subject to collateral and RBI's operating rules	Not entitled to borrow from RBI for normal purposes; may approach RBI only in abnormal circumstances

- **Meaning** — Scheduled status only means inclusion in the Schedule.
- **No guarantee** — It is **not a guarantee** of better service or a risk-free deposit.
- **Depositor's check** — Depositors should judge the bank, deposit insurance and account terms.
- **Government deposits** — Government and institutional deposits follow their own placement rules.

Topic 6 — Public Sector Banks

Public sector banks (PSBs) are banks in which the **Government of India holds 51% or more** of the share capital. They play a major role in Indian banking.

Group	Key points
State Bank of India	Largest nationwide network. Five associate banks (Patiala, Bikaner & Jaipur, Mysore, Hyderabad, Travancore) and Bharatiya Mahila Bank merged into it. Subsidiaries: SBI Life, SBI Mutual Fund, SBI Cards, SBI Capital Markets, SBI Factors.
Nationalised banks	11 nationalised banks; with SBI there are 12 PSBs ; wide branch network in metro, urban, semi-urban and rural areas

IDBI Bank is classified by RBI as a **private sector bank**.

Remember this

- PSB = Government holding **≥ 51%**; **12 PSBs** = SBI + 11 nationalised banks.

Topic 7 — Regional Rural Banks

Regional Rural Banks (RRBs) were set up to focus on **rural development**. They are **scheduled banks** supported by **sponsor banks**.

Shareholder	Share in capital
Central Government	50%
Sponsor bank	35%
State Government	15%

Under **One State – One RRB** amalgamation, there are now **28 RRBs** working in **26 States and 2 Union Territories**. Merger improves scale and viability.

Remember this

- RRB capital: **50 : 35 : 15** (Centre : Sponsor bank : State).

Topic 8 — Private Sector Banks

Type	Features
Old private sector banks	Small balance sheets, regional operations, traditional management
New private sector banks	Licensed after 1993 ; better capitalised, technology-driven, aggressive in business, many delivery channels

Bandhan Bank and **IDFC Bank** started under licences given under the 2013 policy; IDFC Bank is now **IDFC FIRST Bank** after its merger.

Topic 9 — Foreign Banks

Foreign banks are **incorporated abroad** but licensed by RBI to do banking in India through Indian branches. Their network is small, mostly in **metros and State capitals**.

They are technology-driven and focus on **corporate banking, foreign exchange, export-import finance and merchant banking**.

Topic 10 — Local Area Banks

Local Area Banks (LABs) are licensed to work in a **limited area**. They have **low capital** and cannot offer all services of a commercial bank.

Of the original four, **Capital Local Area Bank** became a Small Finance Bank. Two LABs are active: **Coastal Local Area Bank** and **Krishna Bhima Samruddhi Local Area Bank**.

Topic 11 — Payments Banks

Point	Rule
Deposits	Current and savings deposits only
Balance limit	Maximum end-of-day balance ₹2 lakh per individual customer, including PPI balances
Interest	Paid on savings balance
Services	Remittances, utility bill payments; distribution of mutual funds, insurance and pension products
Lending	Cannot lend or issue credit cards
Use of funds	Only in Government securities and bank deposits

Remember this

- Payments bank: max balance **₹2 lakh**; no loans, no credit cards.

Topic 12 — Small Finance Banks

Small Finance Banks (SFBs) accept deposits and give loans to **small businesses, farmers, micro and small enterprises** and underserved households.

Norm	Requirement
Priority sector	60% of ANBC or CEOBE, whichever is higher
Small loans	At least 50% of loan portfolio in loans up to ₹25 lakh
Area	No geographical restriction
Rural outlets	At least 25% of banking outlets in unbanked rural centres

Payments bank vs Small Finance Bank

Point	Payments bank	Small Finance Bank
Deposits	Limited demand deposits (max ₹2 lakh)	All deposits
Lending	Not allowed	Allowed
Main aim	Payments and remittance	Credit to small borrowers

Remember this

- SFB: PSL **60%**; **50%** loans ≤ ₹25 lakh; **25%** outlets in unbanked rural centres.

Topic 13 — Co-operative Banks

Co-operative banks are a key part of financial inclusion. The network has two broad segments: **urban** and **rural**.

Segment	Structure
Urban Co-operative Banks	Scheduled or non-scheduled; each further multi-state or single-state ; most are non-scheduled and single-state
Rural – short term (3 tier)	State Co-operative Bank (apex, State) → District Central Co-operative Bank (district) → Primary Agricultural Credit Society (village)
Rural – long term	SCARDB (State level) → PCARDB (district/block level)

Body	Role
RBI	Regulates banking and governance of UCBs, StCBs and DCCBs
NABARD	Statutory supervision of StCBs and DCCBs
Registrar of Co-operative Societies (RCS / CRCS)	Registration under State or multi-state co-operative law

PACS are co-operative credit societies, not RBI-licensed banks.

Topic 14 — Functions of Banks

- Primary functions** — The main functions are **accepting deposits and lending**.
- Investment** — Part of the deposits is also **invested** in bonds and securities.
- Other functions** — All remaining services are called **other functions**.
- Why possible** — Banks can do all this because they are **financial intermediaries**.

Service	Example
Deposits	Savings, current, term deposits
Remittance	Demand draft, NEFT, RTGS, IMPS
Payments for customers	Electricity bills, school fees
Government business	Collection of taxes
Lending	Business, agriculture, housing, vehicle loans
Foreign exchange	Buying and selling foreign currency for exporters and importers
Safe deposit lockers	Safe keeping of valuables
Round-the-clock channels	Internet banking, ATMs, cash deposit machines
Cards	Debit and credit cards; borrowing through credit cards
Third-party products	Mutual funds and insurance

Topic 15 — Traditional Functions

Acceptance of deposits

Deposit	Features
Current account	Generally no interest; for businesses with many transactions
Savings account	Nominal interest; for individuals; ATM card issued
Term deposit	Fixed, recurring/cumulative, monthly income deposits; repayable after the agreed term

Current and savings deposits are **demand deposits** — repayable on demand and withdrawable by cheque.

Loans and advances

- **Why lend** — Banks pay interest on deposits and meet expenses, so they must lend.
- **Interest spread** — The **interest spread** is the average loan rate minus the average deposit rate.
- **Profit source** — Interest on loans is the **major source of operating profit**.

Basis	Types
Purpose	Working capital : cash credit, overdraft, demand loan; capital expenditure : term loan
Borrower	Corporate, SME, agriculture, retail, education, vehicle, foreign currency loans
Security	Secured : surety, pledge of deposit receipts, shares, LIC policy assignment, mortgage, hypothecation; unsecured (clean advance): no security

Banks must manage **liquidity** to repay deposits when due.

Remittance services

- **Need** — Trade needs safe movement of money between places.
- **Method** — Banks send funds by **electronic transfer or bank draft** through their branch and correspondent network, for a fee.
- **Advantage** — Bank remittance is **fast, safe and cheap** compared with postal money orders or carrying cash.

Topic 16 — Other Functions

Miscellaneous services

- **Services** — Lockers, safe custody, traveller's cheques and **letters of credit and guarantees**.
- **Collections** — Collection of outstation cheques, bills and hundis.
- **Others** — Opinion reports, Government agency business, trusteeship and executor services.
- **Income** — These services earn **non-interest (fee) income**.

Electronic banking

- **Computerisation** — Almost all banking is now computerised in the **front office** (customer dealing) and **back office** (accounting, settlement).
- **Channels** — Phone banking, internet banking, cards and ATMs give **anywhere, anytime banking**.
- **Benefits** — These channels offer speed, accuracy and confidentiality.
- **No branch visit** — Customers need not visit a branch for cash, cheque deposit or statements.

Information and Communication Technology (ICT) supports **financial inclusion** and helps banks handle a large number of accounts easily.

Topic 17 — Recent Trends in Banking

Trend	Meaning
Operational freedom	RBI has deregulated interest rates; banks fix deposit and loan rates under their ALM policy; floating retail and MSE loans are linked to an external benchmark
Universal banking	All fund-based and fee-based products under one roof; fee income (advisory, wealth management, insurance, mutual funds) makes up for thinner lending margins
Financial inclusion	Banking for low-income groups at affordable cost
Technology	Core Banking Solution (CBS) for anywhere banking; RTGS, NEFT, wallets, cards at point of sale
Mobile banking	Transfers, balance enquiry, mini statement, cheque book request, bill payment through apps, subject to bank limits
UPI	Interoperable payment system that needs just a single identifier (UPI ID) for transactions

Scheme	Benefit and limit
PMJDY	Basic account with no minimum balance ; RuPay card with accident cover ₹2 lakh ; overdraft up to ₹10,000
PMJJBY	Life cover ₹2 lakh for any cause; premium ₹436 a year; age 18–50 to join
PMSBY	Accident cover ₹2 lakh (death/total disability), ₹1 lakh (partial disability); premium ₹20 a year; age 18–70

RTGS has a minimum of **₹2 lakh** and no maximum; NEFT has no minimum or maximum. Bank deposits are insured by **DICGC** up to **₹5 lakh** per depositor per bank.

The system now has **12 public sector banks** and **28 RRBs**; other counts and market shares change with the reporting date.

DRA | Module A | CH-1 | MCQs

Q1. A new company wants to do banking in India. Under Section 7 of the BR Act, its name must include:

- The word 'finance'
- The word 'limited'
- At least one of bank, banker, banking or banking company
- The word 'India'

Q2. To be included in the Second Schedule of the RBI Act, a bank needs paid-up capital and reserves of at least:

- ₹1 lakh
- ₹10 lakh
- ₹50 lakh
- ₹5 lakh

Q3. How many public sector banks are there at present, including SBI?

- 10
- 11
- 12
- 19

Q4. In an RRB, the share of the sponsor bank in capital is:

- 50%
- 15%
- 25%
- 35%

Q5. A customer has ₹1.9 lakh in a payments bank account and receives ₹30,000 more. What is the problem?

- End-of-day balance would exceed the ₹2 lakh limit
- Payments banks cannot accept credits
- The limit is ₹1 lakh
- There is no problem

Q6. Which of the following can a payments bank NOT do?

- Accept savings deposits
- Issue credit cards
- Pay utility bills
- Sell insurance products

Q7. A Small Finance Bank must keep at least what share of its loan portfolio in loans up to ₹25 lakh?

- 25%
- 40%
- 50%
- 60%

Q8. What share of a Small Finance Bank's banking outlets must be in unbanked rural centres?

- 10%
- 15%
- 50%
- 25%

**Q9. Statutory supervision of State Co-operative Banks and DCCBs is done by:**

- (a) SEBI (b) NABARD
(c) IRDAI (d) Registrar alone

Q10. A non-scheduled bank keeps its cash reserve:

- (a) Compulsorily with RBI (b) With SBI
(c) With itself (d) With NABARD

Q11. Savings and current deposits are called demand deposits because they are:

- (a) Paid only after maturity
(b) Always interest-free
(c) Paid only to businesses
(d) Repayable whenever the customer asks

Q12. A bank's income from locker rent and guarantee commission is:

- (a) Interest income (b) Non-interest (fee) income
(c) Capital receipt (d) Deposit income

Q13. Offering loans, insurance, mutual funds and advisory services under one roof is called:

- (a) Retail banking (b) Branch banking
(c) Universal banking (d) Para banking only

Q14. A customer wants to send ₹1 lakh. Which channel can he NOT use because of its minimum amount?

- (a) NEFT (b) IMPS (c) UPI (d) RTGS

Q15. What is the overdraft limit available in a PMJDY account?

- (a) ₹10,000 (b) ₹5,000 (c) ₹2 lakh (d) ₹25,000

Answer key

Q	Ans	Q	Ans	Q	Ans	Q	Ans	Q	Ans
1	c	4	d	7	c	10	c	13	c
2	d	5	a	8	d	11	d	14	d
3	c	6	b	9	b	12	b	15	a

CH-2**Banker Customer Relationship****Topic 1 — Meaning of a Customer**

- **Meaning** — Anyone who does a banking transaction with a bank is its **customer**.
- **Who can be one** — An individual, group, firm, company, trust, institution, or a government or local body.
- **No transaction** — A person with **no transaction** with the bank cannot claim to be its customer.
- A person who has an **account** in his name and for whom the bank agrees to provide banking facilities is a customer.
- The account need not be operated for long: **even a single deposit** makes a person a customer.
- A deposit account is **not essential** for every service: borrowers, locker hirers and walk-in users are also covered by customer due diligence.
- The basic relationship is that of **debtor and creditor**.

Term (RBI KYC Directions under PMLA, 2002)	Meaning
Customer	A person engaged in a financial transaction or activity with a Regulated Entity (RE) , including a person on whose behalf it is done

Term (RBI KYC Directions under PMLA, 2002)	Meaning
Walk-in customer	A person who has no account-based relationship with the RE but undertakes transactions with it
Regulated Entity	A bank or other institution covered by RBI's regulatory directions

Accounts are opened and kept as per the **RBI (Commercial Banks – Know Your Customer) Directions, 2025**.

Topic 2 — Individuals and Joint Accounts

- **Adults** — A person aged **18 or above**, of **sound mind** and legally competent, can open an account after KYC.
- **Children** — A child's account can be in the child's single name, operated by the father, mother or guardian.
- **Joint with parent** — It can also be opened jointly with the parent, payable to either or survivor.
- **Kids' accounts** — Many banks offer **kids' accounts** to build the saving habit.

When two or more persons open one account it is a **joint account**. The operating instructions must be **clear** and are followed as confirmed by **all** holders at opening.

Mode	Who operates	Payment on death of a holder
Either or survivor	Any one holder	Survivor
Former or survivor	Only the first-named holder	First-named; if he dies, the survivor
Both jointly or survivor	Both together	Both jointly, or the survivor
Any two jointly or last survivor	Any two (more than two holders)	Last survivor

Premature withdrawal of a joint term deposit needs the proper **joint mandate** or survivor authorisation, not just the account label.

Topic 3 — Illiterate Persons

Illiteracy is **not a bar** to banking. An illiterate person can open an account with proper identification and the bank's safeguards; current accounts depend on bank policy.

Safeguard	Rule
Thumb impression	Left-hand thumb impression in the presence of an authorised officer
Photographs	Two : one on the form, one on the passbook
Withdrawal	Personal visit with passbook; identity verified each time
Explanation	Account rules explained in a language the customer understands

Topic 4 — Minors

- **Age of majority** — A person becomes a **major on completing 18 years** (Section 3, Indian Majority Act, 1875).
- **Court guardian** — Appointment of a court guardian does not change this age.
- **Contract** — Under the **Indian Contract Act, 1872**, a minor's contract is **void ab initio** (void from the beginning).
- **Necessaries** — Under **Section 68**, a supplier of necessities is reimbursed only from the **minor's property**, not from the minor personally.

Point	Rule
Opening through guardian	Minor of any age through natural or legal guardian; mother can be guardian even if father is alive
Independent operation	At the age fixed by the bank, not below 10 years , within bank limits and full KYC