NABARD

National Bank for Agriculture and Rural Development, more popularly known as NABARD was established by an Act of Parliament on 12th July 1982 to implement the National Bank for Agriculture and Rural Development Act, 1981.

It replaced the Agricultural Credit Department (ACD) and Rural Planning and Credit Cell (RPCC) of Reserve Bank of India, and Agricultural Refinance and Development Corporation (ARDC).

It is one of the premiere agencies to provide credit in rural areas

NABARD was established in terms of the Preamble to the Act, "for providing credit for the promotion of agriculture, small scale industries, cottage and village industries, handicrafts and other rural crafts and other allied economic activities in rural areas with a view to promoting IRDP and securing prosperity of rural areas and for matters connected therewith in incidental thereto".

objectives of the NABARD

- 1.The National Bank will be an apex organisation in respect of all matters relating to policy, planning operational aspects
- in the field of credit for promotion of Agriculture, Small Scale Industries, Cottage and Village Industries, Handicrafts and
- other rural crafts and other allied economic activities in rural areas.
- 2.The bank will serve as a refinancing institution for institutional credit such as long-term, short-term for the promotion
- of activities in the rural areas.
- 3.The bank will also provide direct lending to any institution as may be approved by the Central Government.
- 4.The bank will have organic links with the Reserve Bank and maintain a close link with in.

Role of NABARD

- 1. Providing refinance to lending institutions in rural areas
- 2. Bringing about or promoting institutional development and
- 3. Evaluating, monitoring and inspecting the client banks
- 4.Acts as a coordinator in the operations of rural credit institutions.
- 5.Extends assistance to the government, the Reserve Bank of India and other organizations in matters relating to rural development.
- 6.Offers training and research facilities for banks, cooperatives and organizations working in the field of rural development.
- 7.Helps the State Governments in reaching their targets of providing assistance to eligible institutions in agriculture and rural development.
- 8.Acts as regulator for cooperative banks and RRBs.

NABARD's Activities

- 1. Refinance disbursement under ST-Agri & Others and MT-Conversion/Liquidity support aggregated Rs. 16952.83 crore
- during 2007-08.
- 2. Refinance disbursement under Investment Credit to Commercial Banks, State Cooperative Banks, State Cooperative
- Agriculture and Rural Development Banks, RRBs and other eligible financial institutions during 2007-08 aggregated
- Rs. 9046.27 crore.
- 3. Through the Rural Infrastructure Development Fund (RIDF) Rs.8034.93 crores were disbursed during 2007-08. With this,

CONT…

4. Under Watershed Development Fund with a corpus of Rs. 613.71 crore as on 31st March 2008, 416 projects in 94 districts of 14 states have benefited.
5. Farmers now enjoy hassle free access to credit and security through 714.68 lakh Kisan Credit Cards that have been issued through a vast rural banking network.
6. Under the Farmers' Club Programme, a total of 28226 clubs covering 61789 villages in 555 districts have been formed, helping farmers get access to credit, technology and extension services.

Functions of NABARD

- 1. *Credit functions, involving preparation of potential-linked credit plans annually for all districts of the country for* identification of credit potential, monitoring the flow of ground level rural credit, issuing policy and operational guidelines to rural financing institutions and providing credit facilities to eligible institutions under various programmes.

2.Development functions, concerning reinforcement of the credit functions and making credit more productive.

3.Supervisory functions, ensuring the proper functioning of cooperative banks and regional rural banks.

4.It takes measures towards institution building for improving absorptive capacity of the credit delivery system, including monitoring, formulation of rehabilitation schemes, restructuring of credit institutions, training of personnel, etc.

5.It co-ordinates the rural financing activities of all the institutions engaged in developmental work at the field level and maintains liaison with Government of India, State Governments, Reserve Bank of India and other national level institutions concerned with policy formulation.

CONT….

6.It prepares, on annual basis, rural credit plans for all districts in the country; these plans form the base for annual credit plans of all rural financial institutions.

7.It undertakes monitoring and evaluation of projects refinanced by it.

8.It promotes research in the fields of rural banking, agriculture and rural development.

Non-banking Financial Companies

Introduction

- The Reserve Bank of India defines a non banking financial company as, "A Non-Banking Financial Company (NBFC) is a
- company registered under the Companies Act, 1956 and is engaged in the business of loans and advances, acquisition of shares/
- stock/bonds/debentures/securities issued by Government or local authority or other securities of like marketable nature,
- leasing, hire-purchase, insurance business, chit business but does not include any institution whose principal business is that of
- agriculture activity, industrial activity, sale/purchase/construction of immovable property. A non-banking institution which
- is a company and which has its principal business of receiving deposits under any scheme or arrangement or any other manner,
- or lending in any manner is also a non-banking financial company (Residuary non-banking company)."

Concept of Non-banking Financial Companies

- 1. suppliers of loans and credit facilities,
- 2. supporting investments in property,
- 3. trading money market instruments,
- 4. funding private education,

CONT….

5. wealth management such as managing portfolios of stocks and shares and underwrite stock and shares, TFCs and other obligations,

6. retirement planning,

7. advise companies in merger and acquisition,

8. prepare feasibility, market or industry studies for companies,

9. discounting services e.g., discounting of instruments.

CLASSIFICATION OF NBFC'S

- 1. Development finance institutions
- 2. Leasing companies
- 3. Investment companies
- 4. Housing finance companies
- 5. Venture capital companies
- 6. Discount and guarantee houses
- 7. Underwriting practitioners.

Guidelines of Non-banking Financial Companies

- Recent years have witnessed significant increase in financial intermediation by the NBFCs. This is reflected in the proposal
- made by the latest Working Group on Money Supply for a new measure of liquidity aggregate incorporating NBFCs with
- public deposits worth Rs.20 crore and above. For regulatory purposes, NBFCs have been classified into three categories:

CONT…

1. those accepting public deposits,

2. those not accepting public deposits but engaged in financial business, and

3. core investment companies with 90 per cent of their total assets as investments in the securities of their group/holding/ subsidiary companies.

CONT…

The focus of regulatory attention is on NBFCs accepting public deposits. As per the NBFC Acceptance of Public Deposits Reserve Bank) Directions, 1998, the quantum of public deposit in respect of NBFCs was linked to credit rating from an approved agency so as to enable the depositor to make informed decision. The NBFCs were also encouraged to broad-base their resources through borrowings from banks and financial institutions, inter-corporate deposits/loans, secured bonds/ debentures, etc., which were exempted from the definition of "public deposit".

Progress

- Non-banking Financial Companies have registered significant growth in recent years both in terms of number and volume ofbusiness transactions.
- NBFCs started in a small way in the sixties and the seventies and tried to serve the needs of the savers and investors whose needs remained unfulfilled by the Banking system. In the eighties, there was virtually a boom, when entrepreneurs suddenly woke up to the tremendous possibilities offered in an economy chronically affected by the massive paucity of funds and a growing realization of enormous resource mobilisation capacity offered by the capital market.
- However, most of these new-borns ignored that rendering financial services was a complicated and demanding business, involving the continuous raising and deployment of funds in a judicious manner and involved the consistent identification and entry into newer and optimally lucrative areas of financial returns. Along with the growth of Indian economy, NBFCs have also grown.

CONT…

- The growth of NBFCs in India was more pronounced in last two decades. Several factors have contributed to the growth of these institutions.

- Their tailor made services, customer-orientation, minimum procedures and simplicity, speed of operations, etc. have attracted more and more customers to them.

- The monetary and credit policy followed in the country in the recent past has left a section of borrowers outside the purview of banking system and these NBFCs increasingly hatred to these sections.

- Comprehensive regulation of the commercial Banks and the absence or less rigorous regulations over NBFCs have also contributed to the phenomenal growth or the latter in terms of heir numbers, clientele deposits and Net Owned Fund (NOF).

CONT…

- The Reserve Bank has started regulating the activities of NBFCs with the twin objectives of ensuring that they subserve the financial system efficiently and do not jeopardise the interest of depositors.

- In the backdrop of general sickness in the real estate market and some of the industrial activities coupled with steep decline in the value of some of the unquoted shares, the NPAs of NBFCs have registered an upward trend.

- The profitability of NBFCs has generally come under strain due to mandatory provisioning requirements against NPAs.

- The provisions in the RBI Act which, till recently were considered inadequate to deal with the growing number of weak and unscrupulous players, were expanded in January, 1997, vesting considerable powers
with the Reserve Bank.

CONT…

- RBI has put in place a comprehensive regulatory and supervisory framework in order to discharge the heavy statutory responsibilities cast on it with a view to providing indirect protection to the depositors' interest and strengthening the NBFC sector.

- As a result, growth rate had slowed down, gradually leading to a negative growth rate in 1988.

- However, from 1989 the trend has changed for the better, there are a host of reasons that have led to the revival of interest in financial services.
Firstly, the enormously progressive measured of liberalisation and dismantling of the hitherto control ridden economy have to a great extent opened up larger vistas of growth.

CONT…

- Registration is being granted to NBFCs on assessment and evaluation of various factors and as per the criteria laid down in the RBI Act.

- The applications for registration are subjected to thorough scrutiny. RBI has issued up to Aug. 24, 2009, approvals for registration of 336 NBFCs which are permitted to accept public deposits and to 12607 NBFCs which are non-public deposits taking companies.

- A company incorporated under the Companies Act, 1956 and desirous of commencing business of non-banking financial institution as defined under Section 45 I(a) of the RBI Act, 1934 should have a minimum net owned fund of Rs 25 lakh (raised to Rs 200 lakh w.e.f April 21, 1999).

- RBI closely supervises those NBFCs, which accept public deposits, through a comprehensive mechanism comprising on-site examination, off-site surveillance, a sensitive market intelligence system and initiation of necessary supervisory action whenever necessary.

Industrial Finance Corporation of India (IFCI)

- At the time of independence in 1947, India's capital market was relatively under-developed.
- Although there was significant demand for new capital, there was a dearth of providers.
- Merchant bankers and underwriting firms were almost non-existent.
- And commercial banks were not equipped to provide long-term industrial finance in any significant manner.
- It is against this backdrop that IFCI Ltd. emerged as the first development finance institution set up in 1948 under the IFCI Act
- in order to pioneer long-term institutional credit to medium and large industries.
- It aims to provide financial assistance to industry by way of rupee and foreign currency loans, underwrites/subscribes the issue of stocks, shares, bonds and debentures of industrial concerns, etc.
- It has also diversified its activities in the field of merchant banking, syndication of loans, formulation of rehabilitation programmes, assignments relating to amalgamations and mergers, etc.

Focus

- 1. Agro-based industry (textiles, paper, sugar)
- 2. Service industry (hotels, hospitals)
- 3. Basic industry (iron & steel, fertilizers, basic chemicals, cement)
- 4. Capital & intermediate goods industry (electronics, synthetic fibres, synthetic plastics, miscellaneous chemicals) and
- Infrastructure (power generation, telecom services).

IFCI has founded and developed prominent institutions like:

- 1. Management Development Institute (MDI) for management training and development
- 2. ICRA for credit assessment rating
- 3. Tourism Finance Corporation of India (TFCI) for promotion of the hotel and tourism industry
- 4. Institute of Labor Development (ILD) for rehabilitation and training of displaced and retrenched labor force
- 5. Rashtriya Gramin Vikas Nidhi (RGVN) for promoting, supporting and developing voluntary agencies engaged in
- uplifting rural and urban poor in east and northeast India.

CONT…

6 Stock Holding Corporation of India Ltd. (SHCIL)

7 Discount and Finance House of India Ltd. (DFHI)

8 National Stock Exchange (NSE)

9 OTCEI

10 Securities Trading Corporation of India (STCI)

11 LIC Housing Finance Ltd.

12 GIC Grih Vitta Ltd., and

13 Bio-tech Consortium Ltd. (BCL).

State Financial Corporations (SFCs)

- SFCs are the State-level financial institutions which play a crucial role in the development of small and medium enterprises in

  the concerned States.

- They provide financial assistance in the form of term loans, direct subscription to equity/debentures,guarantees, discounting of bills of exchange and seed/special capital, etc.

  SFCs have been set up with the objective of catalysing

- higher investment, generating greater employment and widening the ownership base of industries.
- They have also started providing assistance to newer types of business activities like floriculture, tissue culture, poultry farming, commercial complexes and services related to engineering, marketing, etc.

Objectives of State Financial Corporations

1. Provide financial assistance to small and medium industrial concerns. These may be from corporate or co-operative sectors as in case of IFCI or may be partnership, individual or joint Hindu family business. Under SFCs Act, "industrial concern" means any concern engaged not only in the manufacture, preservation or processing of goods, but also mining, hotel industry, transport undertakings, generation or distribution of electricity, repairs and maintenance of machinery, setting up or development of an industrial area or industrial estate, etc.
2. Provide long and medium-term loan repayable ordinarily within a period not exceeding 20 years.

CONT…

3. Grant financial assistance to any single industrial concern under corporate or co-operative sector with an aggregateupper limit of Rupees Sixty lakhs. In any other case (partnership, sole proprietorship or joint Hindu family) the upperlimit is Rupees 30 lakhs.
4. Provide financial assistance generally to those industrial concerns whose paid up share capital and free reserves do notexceed Rs. 3 crore.
5. To lay special emphasis on the development of backward areas and small scale industries.

Functions of State Financial Corporations (SFCs)

1. Grant of loans and advances to or subscribe to debentures of, industrial concerns repayable within a period not exceeding 20 years, with option of conversion into shares or stock of the industrial concern.
2. Guaranteeing loans raised by industrial concerns which are repayable within a period not exceeding 20 years.
3. Guaranteeing deferred payments due from an industrial concern for purchase of capital goods in India.

CONT…

4. Underwriting of the issue of stock, shares, bonds or debentures by industrial concerns.
5. Subscribing to, or purchasing of, the stock, shares, bonds or debentures of an industrial concern subject to a maximum of 30 percent of the subscribed capital, or 30 percent of paid up share capital and free reserve, whichever is less.
6. Act as agent of the Central Government, State Government, IDBI, IFCI or any other financial institution in the matter of grant of loan or business of IDBI, IFCI or financial institution.

CONT…

7 Providing technical and administrative assistance to any industrial concern or any person for the promotion, management or expansion of any industry.

8 Planning and assisting in the promotion and development of industries.

State Industrial Development Corporations (SIDCs)

- State Industrial Development Corporations (SIDCs) have been established under the Companies Act, 1956, as wholly-owned undertakings of State Governments.
- They have been set up with the aim of promoting industrial development in the respective States and providing financial assistance to small entrepreneurs.
- They are also involved in setting up of medium and large industrial projects in the joint sector/assisted sector in collaboration with private entrepreneurs or wholly-owned subsidiaries.
- They are undertaking a variety of promotional activities such as

  preparation of feasibility reports; conducting industrial potential surveys; entrepreneurship training and development programmes; as well as developing industrial areas/estates.

State Industries Development Bank of India (SIDBI)

- SIDBI was established on April 2, 1990. The Charter establishing it, The Small Industries Development Bank of India Act, 1989 envisaged SIDBI to be "the principal financial institution for the promotion, financing and development of industry in the small scale sector and to co-ordinate the functions of the institutions engaged in the promotion and financing or developing industry in the small scale sector .
- The business domain of SIDBI consists of small scale industrial units, which contribute significantly to the national economy in terms of production, employment and exports.
- Small scale industries are the industrial units in which the investment in plant and machinery does not exceed Rs.10 million.
- About 3.1 million such units, employing 17.2 million persons account for a share of 36 per cent of India's exports and 40 per cent of industrial manufacture.
- In addition, SIDBI's assistance flows to the transport, health care and tourism sectors and also to the professional and self-employed persons setting up small-sized professional ventures.

OBJECTIVES OF SIDBI

- 1. Financing
- 2. Promotion
- 3. Development
- 4. Co-ordination

The major issues confronting SSIs are identified to be:

- 1. Technology Obsolescence
- 2. Managerial Inadequacies
- 3. Delayed Payments
- 4. Poor Quality
- 5. Incidence of Sickness
- 6. Lack of Appropriate Infrastructure and
- 7. Lack of Marketing Network.

Operational Policies

- The Small Industries Development Bank of India (SIDBI), was conceived as the principal financial institution at the apex level for promotion, financing and development of industry in the small, tiny and cottage sectors.
- SIDBI has an overall responsibility for enacting policy and procedural guidelines with regard to the operations of SFCs.
- SIDBI has since been de-linked from IDBI after the SIDBI Act was amended last year and as a result, 51% holding of IDBI shares in SIDBI are in the process of being transferred to commercial banks and all-India financial institutions. Further, IDBI's share-holding in
- SFCs would also be transferred to SIDBI under the SFCs (Amendment) Act, 2000.
- All the discretionary powers hitherto vested

  with IDBI in the principal Act, now vest with SIDBI under the amended Act.

CONT…

- The operational limits prescribed under various provisions of the amended Act could be increased by the State Governments on the recommendations of SIDBI keeping in view the business requirements of SFCs.
- These limits relate to augmentation of share-capital base, borrowings from outside agencies, including floatation of bonds and debentures, limit of accommodation to industrial units, eligibility of industrial units to borrow from SFCs in terms of owned-funds, etc.

CONT…

The SFCs, while approaching SIDBI for enhanced refinance limit, have also requested them to recommend the increase in this threshold limit to the State Government to enable them to avail of these relaxations. It has, however, been noticed that the response from SIDBI to the above request being made by SFCs has not been encouraging.

SIDBI is reported to have expressed its reservations to increase the refinance

Insurance Sector

- Insurance is a contract whereby, in return for the payment of premium by the insured, the insurers pay the financial losses suffered by the insured as a result of the occurrence of unforeseen events.
- a social device to reduce or eliminate risk of life and property.

Insurance Regulatory and Development Authority (IRDA)

- MISSION- To protect the interests of the insurance policyholders and to regulate, promote and ensure orderly growth of the insurance industry.

Functions of IRDA

- Section 14 of IRDA Act, 1999 lays down the duties, powers and functions of IRDA.
- 1. The Authority shall have the duty to regulate, promote and ensure orderly growth of the insurance business and re-insurance business.
- 2. Without prejudice to the generality of the provisions contained in sub-section (1), the powers and functions of the Authority shall include:
- (a) issue to the applicant a certificate of registration, renew, modify, withdraw, suspend or cancel such registration;
- (b) protection of the interests of the policy holders in matters concerning assigning of policy, nomination by policy holders, insurable interest, settlement of insurance claim, surrender value of policy and other terms and conditions of contracts of insurance;

- (c) specifying requisite qualifications, code of conduct and practical training for intermediary or insurance intermediaries and agents;
- (d) specifying the code of conduct for surveyors and loss assessors;
- (e) promoting efficiency in the conduct of insurance business;
- (f) promoting and regulating professional organisations connected with the insurance and re-insurance business.
- (g) levying fees and other charges for carrying out the purposes of this Act;
- (h) calling for information from, undertaking inspection of, conducting enquiries and investigations including audit of the insurers, intermediaries, insurance intermediaries and other organisations connected with the insurance business;

- (i) control and regulation of the rates, advantages, terms and conditions that may be offered by insurers in respect of general insurance business not so controlled and regulated by the Tariff Advisory Committee under section 64U of the Insurance Act, 1938 (4 of 1938);
- (j) specifying the form and manner in which books of account shall be maintained and statement of accounts shall be rendered by insurers and other insurance intermediaries;
- (k) regulating investment of funds by insurance companies;
- (l) regulating maintenance of margin of solvency;
- (m) adjudication of disputes between insurers and intermediaries or insurance intermediaries.
- (n) supervising the functioning of the Tariff Advisory Committee
- (p) specifying the percentage of life insurance business and general insurance business to be undertaken by the insurer in the rural or social sector

Life Insurance

- Life insurance is a contract that pledges payment of an amount to the person assured (or his nominee) on the happening of the event insured against.
- The contract is valid for payment of the insured amount during:

1. The date of maturity, or
2. Specified dates at periodic intervals, or
3. Unfortunate death, if it occurs earlier.

Calculation of Life Insurance Amount/Premium

- Individuals getting a life insurance cover have to pay the monthly/quarterly/half yearly/yearly premium/life insurance rate, which depends on the amount insured.
- The premium amount also increases or decreases with different life insurance plans, age of the individual etc.
- The company pays the full insurance amount either on the death of the individual or the expiry of the policy which ever is earlier.

Advantages

- **Protection-** Savings through life insurance guarantee full protection against risk of death of the saver. Also, in case of demise, life insurance assures payment of the entire amount assured (with bonuses wherever applicable) whereas in other savings schemes, only the amount saved (with interest) is payable.
- **Aid to Thrift -** Life insurance encourages 'thrift'. It allows long-term savings since payments can be made effortlessly because of the 'easy installment' facility built into the scheme.
- **Liquidity - A** life insurance policy is also generally accepted as security, even for a commercial loan.
- **Tax Relief -** Life Insurance is the best way to enjoy tax deductions on income tax and wealth tax.

- **Money when it is Needed -** Life insurance comes as a policy that has a suitable insurance plan or a combination of different plans that can be effectively used to meet certain monetary needs that may arise from time-to-time like those of children's education, start-in-life or marriage provision or even periodical needs for cash over a stretch of time.

Types

- ***Whole Life Assurance -*** insurance company collects premium from the insured for whole life or till the time of his retirement and pays claim to the family of the insured only after his death.
- ***Endowment Assurance -*** the term of policy is defined for a specified period say 15, 20, 25 or 30 years. The insurance company pays the claim to the family of assured in an event of his death within the policy's term or in an event of the assured surviving the policy's term.

- ***Assurances for Children –***
- (a) *Child's Deferred Assurance:* claim by insurance company is paid on the option date which is calculated to coincide with the child's eighteenth or twenty first birthday. In case the parent survives till option date, policy may either be continued or payment may be claimed on the same date. However, if the parent dies before the option date, the policy remains continued until the option date without any need for payment of premiums. If the child dies before the option date, the parent receives back all premiums paid to the insurance company.
- (b) *School Fee Policy: School fee policy can be availed by effecting an endowment policy, on the life of the parent with* the sum assured, payable in instalments over the schooling period.

- ***Term Assurance - T***hey provide death risk-cover. Term assurance policies are only for a limited time, claim for which is paid to the family of the assured only when he dies. In case the assured survives the term of policy, no claim is paid to the assured.
- ***Annuities:*** A person entering into an annuity contract agrees to pay a specified sum of capital (lump sum or by installments) to the insurer. The insurer in return promises to pay the insured a series of payments until insured's death. Generally, life annuity is opted by a person having surplus wealth and wants to use this money after his retirement.
- (a) *Immediate Annuity: The insured pays a lump sum amount (known as purchase price) and* in return the insurer promises to pay him in installments a specified sum on a monthly/quarterly/half-yearly/ yearly basis.
- (b) *Deferred Annuity: A deferred annuity can be purchased by paying a single premium or by way of installments. The* insured starts receiving annuity payment after a lapse of a selected period (also known as Deferment period).

Money Back Policy

- ***Money Back Policy- It*** is a policy opted by people who want periodical payments. A money back policy is generally issued for a particular period, and the sum assured is paid through periodical payments to the insured, spread over this time period. In case of death of the insured within the term of the policy, full sum assured along with bonus accruing on it is payable by the insurance company to the nominee of the deceased.

Major Players

- **Bajaj Allianz Life Insurance**
- **Birla Sun Life Insurance Company Limited**
- **HDFC Standard Life Insurance Company Limited**
- HDFC Standard Life Insurance Company Ltd. is one of India's leading private insurance companies, It is a joint venture between Housing Development Finance Corporation Limitedm(HDFC Limited), India's leading housing finance institution and a Group Company of the Standard Life Plc, UK.
- **ICICI Prudential Life Insurance Company**
- ICICI Prudential Life Insurance Company is a joint venture between ICICI Bank — one of India's foremost financial services companies-and Prudential plc — a leading international financial services group headquartered in the United Kingdom. ICICI Bank holding a stake of 74% and Prudential plc holding 26%.
- The company began its operations in December 2000 after receiving approval from Insurance Regulatory Development Authority (IRDA). Today, their nationwide team comprises of 2099 branches.
- ICICI Prudential is the first life insurer in India to receive a National Insurer Financial Strength rating of AAA (Ind) from Fitch ratings.

- **ING Vysya Life Insurance Company Limited**
- **Life Insurance Corporation of India**
- **Max New York Life Insurance Company Ltd.**
- **MetLife India Insurance Company Limited (MetLife)**
- **Kotak Mahindra Old Mutual Life Insurance**
- **SBI Life Insurance Company Limited**
- **Tata AIG Life Insurance Company Limited (Tata AIG Life)**
- **Reliance Life Insurance**
- **Aviva Insurance**
- **Sahara India Life Insurance Company Ltd. (SILICL)**
- **Shriram Life Insurance Company**
- **Bharti AXA Life Insurance**
- **Future Generali**

- **IDBI Fortis Life Insurance Co Ltd.**
- **Canara HSBC Oriental Bank of Commerce Life Insurance Company Limited**
- **AEGON Religare Life Insurance Company Limited**

General Insurance

- General Insurance is a legal agreement entered between Insured and Insurer due to which due to the consideration, the Insurer agrees to indemnify the Insured, for the loss or damage or liability created due an accident which is covered under the policy subject to the terms and conditions of the contract.

Advantages

- ***Medical and Health insurance***
- ***Accident Insurance***
- ***Motor vehicle/ Auto insurance***
- ***Travel Insurance***
- ***Pet insurance***
- ***Home Insurance***
- ***Unemployment Insurance***
- ***Personal liability Insurance***

Types

- ***Fire Insurance:*** Fire insurance provides protection against damage to property caused by accidents due to fire, lightening or explosion, whereby the explosion is caused by boilers not being used for industrial purposes. Fire insurance also includes damage caused due to other perils like storm, tempest or flood, burst pipes, earthquake, aircraft, riot, civil commotion, malicious damage, explosion, etc.
- ***Marine Insurance:*** Marine insurance basically covers three risk areas, namely, hull, cargo and freight. The risks which these areas are exposed to are collectively known as "Perils of the Sea". These perils include theft, fire, collision etc.
- ***Marine Cargo:*** Marine cargo policy provides protection to the goods loaded on a ship against all perils between the departure and arrival warehouse. Therefore, marine cargo covers carriage of goods by sea as well as transportation of goods by land.

Major Players

- ***Bajaj Allianz General Insurance Co. Ltd.:*** It deals in motor, home, health and travel insurance.
- ***ICICI Lombard General Insurance Co. Ltd:*** It deals in personal, business, NRI and rural insurance.
- ***IFFCO Tokio General Insurance Co. Ltd. :*** It deals in various general insurance products.
- ***National Insurance Co. Ltd. -*** transacts general insurance business of fire, marine and miscellaneous insurance.
- ***The New India Assurance Co. Ltd. -*** It offers personal, industrial, commercial, liability and social insurance.
- ***Oriental Insurance Company Ltd***
- ***Reliance General Insurance***

- ***Royal Sundaram Alliance Insurance Co. Ltd :*** It deals in accident, car, family, home, health, hospital and travel insurance.
- ***Tata AIG General Insurance Company Limited (Tata AIG General) –*** offers complete range of general insurance for motor, home, accident & health, travel, energy, marine, property and casualty, liability as well as several specialized financial line.
- ***United India Insurance Co. Ltd.***
- ***Cholamandalam MS General Insurance***
- ***HDFC ERGO General Insurance Co. Ltd.***
- ***Star Health and Allied Insurance Company Limited***
- ***Apollo DKV Insurance Company Limited***

- ***Marine Hull:*** Marine hull policy provides protection against damage to ship caused due to the perils of the sea. Marine hull policy covers three-fourth of the liability of the hull owner (shipowner) against loss due to collisions at sea. The remaining 1/4th of the liability is looked after by associations formed by shipowners for the purpose (P and I clubs).

- ***Miscellaneous:*** As per the Insurance Act, all types of general insurance other than fire and marine insurance are covered under miscellaneous insurance. Some of the examples of general insurance are motor insurance, theft insurance, health insurance, personal accident insurance, money insurance, engineering insurance etc.

Mutual Funds

- A "mutual fund“ means a fund established in the form of a trust to raise money through the sale of units to the public or a section of the public under one or more schemes for investing in securities, including money market instruments. They raise money by selling shares of the fund to the public, much like any other type of company can sell stock in itself to the public. Mutual funds then take the money they receive from the sale of their shares (along with any money made from previous investments) and use it to purchase various investment vehicles, such as stocks, bonds and money market instruments.
- In return for the money they give to the fund when purchasing shares, shareholders receive an equity position in the fund and, For most mutual funds, shareholders are free to sell their shares at any time, although the price of a share in a mutual fund will fluctuate daily, depending upon the performance of the securities held by the
- fund

Unit Trust of India

- Unit Trust of India was created by the UTI Act passed by the Parliament in 1963.
- The Indian Government were allowed public sector banks in mid- 1980s to open mutual funds.
- The real vibrancy and competition in the MF industry came with the setting up of the Regulator SEBI and its laying down the MF Regulations in 1993.
- UTI maintained its pre-eminent place till 2001, when a massive decline in the market indices and negative investor sentiments after Ketan Parekh scam created doubts about the capacity of UTI to meet its obligations to the investors.

- Fearing a run on the institution and possible impact on the whole market Government came out with a rescue package and change of management in 2001.
- The UTI Act was repealed and the institution was bifurcated into two parts.

1. The assets and liabilities of schemes where Government had to come out with a bail-out package were taken over directly by the Government in a new entity called Specified Undertaking of UTI, SUUTI. SUUTI holds over 27% stake Axis Bank.
2. In order to distance Government from running a mutual fund the ownership was transferred to four institutions; namely SBI, LIC, BOB and PNB, each owning 25%.

- A new board was constituted and a new management inducted. Systematic study of its problems role and functions was carried out with the help of a reputed international consultant.
- Once again UTI has emerged as a serious player in the industry. Some of the funds have won famous awards, including the Best Infra Fund globally from Lipper.
- The UTI Asset Management Company has over 70 schemes in domestic MF space and has the largest investor base of over 9 million in the whole industry. It is present in over 450 districts of the country and has 100 branches called UTI Financial Centres or UFCs.
- The total average Assets Under Management (AUM) for the month of June 2008 was Rs. 530 billion and it ranked fourth. In terms of equity AUM it ranked second and in terms of Equity and Balanced Schemes AUM put together it ranked FIRST in the industry. This measure indicates its revenue- earning capacity and its financial strength

Types of Mutual Funds

- ***Value stocks:*** Stocks from firms with relative low Price to Earning (P/E) Ratio, usually pay good dividends. The investor is looking for income rather than capital gains.
- ***Growth stock:*** Stocks from firms with higher low Price to Earning (P/E) Ratio, usually pay small dividends. The investor is looking for capital gains rather than income.
- ***Based on company size, large, mid, and small cap: Stocks from firms with various asset levels.***
- ***Income stock:*** The investor is looking for income which usually come from dividends or interest. These stocks are from firms which pay relative high dividends. This fund may include bonds which pay high dividends. This fund is much like the value stock fund, but accepts a little more risk and is not limited to stocks.

- ***Index funds:*** The securities in this fund are the same as in an Index fund. The number and ratios or securities are maintained by the fund manager to mimic the Index fund it is following.
- ***Enhanced index:*** This is an index fund which has been modified by either adding value or reducing volatility through selective stock-picking.
- ***Stock market sector:*** The securities in this fund are chosen from a particular marked sector such as Aerospace, retail,utilities, etc.
- ***Defensive stock:*** The securities in this fund are chosen from a stock which usually is not impacted by economic down turns.
- ***International:*** Stocks from international firms.
- ***Real estate:*** Stocks from firms involved in real estate such as builder, supplier, architects and engineers, financial lenders, etc.

- ***Socially responsible:*** This fund would invests according to non-economic guidelines. Funds may make investments based on such issues as environmental responsibility, human rights, or religious views. For example, socially responsible funds may take a proactive stance by selectively investing in environmentally-friendly companies or firms with good employee relations. Therefore the fund would avoid securities from firms who profit from alcohol, tobacco, gambling, pornography etc.
- ***Balanced funds:*** The investor may wish to balance his risk between various sectors such as asset size, income or growth. Therefore the fund is a balance between various attributes desired.
- ***Tax efficient***: Aims to minimize tax bills, such as keeping turnover levels low or shying away from companies that provide dividends, which are regular payouts in cash or stock that are taxable in the year that they are received. These funds still shoot for solid returns; they just want less of them showing up on the tax returns.

- ***Convertible:*** Bonds or Preferred stock which may be converted into common stock.
- ***Junk bond:*** Bonds which pay higher that market interest, but carry higher risk for failure and are rated below AAA.
- ***Mutual funds of mutual funds:*** This funds that specializes in buying shares in other mutual funds rather than individual securities.
- ***Open Ended:*** A type of mutual fund that does not have restrictions on the amount of shares the fund will issue. If demand is high enough, the fund will continue to issue shares no matter how many investors there are. Open-end funds also buy back shares when investors wish to sell.
- ***Closed ended:*** This fund has a fixed number of shares. The value of the shares fluctuates with the market, but fund manager has less influence because the price of the underlining owned securities has greater influence.

- ***Exchange traded funds (ETFs):*** Baskets of securities (stocks or bonds) that track highly recognized indexes. Similar to mutual funds, except that they trade the same way that a stock trades, on a stock exchange.

Significance of Mutual Funds

1. ***Diversification:*** The best mutual funds design their portfolios so individual investments will react differently to the same economic conditions.
2. ***Professional management:*** Most mutual funds pay topflight professionals to manage their investments. These managers decide what securities the fund will buy and sell.
3. ***Regulatory oversight:*** Mutual funds are subject to many government regulations that protect investors from fraud.
4. ***Liquidity:*** It's easy to get your money out of a mutual fund. Write a check, make a call, and you've got the cash.
5. ***Convenience:*** You can usually buy mutual fund shares by mail, phone, or over the Internet.

- 6. ***Low Cost:*** Mutual fund expenses are often no more than 1.5 percent of your investment. Expenses for Index Funds are less than that, because index funds are not actively managed. Instead, they automatically buy stock in companies that are listed on a specific index:
- (a) Transparency
- (b) Flexibility
- (c) Choice of schemes
- (d) Tax benefits
- (e) Well regulated

Performance Evaluation

- Mutual fund took birth in India in1963.
- Unit Trust of India invited investors or rather those who believed in savings, to park their money in UTI Mutual Fund. For 30 years it goaled without a single second player.
- Though the 1988 year saw some new mutual fund companies, but UTI remained in a monopoly position.
- The performance of mutual funds in India in the initial phase was not even closer to satisfactory level.
- Some 24 million shareholders were accustomed with guaranteed high returns by the beginning of liberalization of the industry in 1992. This good record of UTI became marketing tool for new entrants.
- The Assets Under Management of UTI was Rs. 67bn. by the end of 1987. It rose to Rs. 470 bn. in March 1993 and the figure had a three times higher performance by April 2004. It rose as high as Rs. 1,540bn.

- The Net Asset Value (NAV) of mutual funds in India declined when stock prices started falling in the year 1992. Those days, the market regulations did not allow portfolio shifts into alternative investments. Partly owing to a relatively weak stock market performance, mutual funds have not yet recovered.
- The supervisory authority adopted a set of measures to create a transparent and competitive environment in mutual funds. Some of them were like relaxing investment restrictions into the market, introduction of open-ended funds, and paving the gateway for mutual funds to launch pension schemes.

Mutual Fund Companies in India

ABN AMRO Mutual Fund

- ABN AMRO Mutual Fund was setup on April 15, 2004 with ABN AMRO Trustee (India) Pvt. Ltd. as the Trustee Company.
- The AMC, ABN AMRO Asset Management (India) Ltd. was incorporated on November 4, 2003.
- Deutsche Bank A G is the custodian of ABN AMRO Mutual Fund.

Birla Sun Life Mutual Fund

- Birla Sun Life Mutual Fund is the joint venture of Aditya Birla Group and Sun Life Financial.
- Recently it crossed AUM of Rs. 10,000 crores.

Bank of Baroda Mutual Fund (BOB Mutual Fund)

- Bank of Baroda Mutual Fund was setup on October 30, 1992 under the sponsorship of Bank of Baroda.
- Deutsche Bank AG is the custodian.

ING Vysya Mutual Fund

- ING Vysya Mutual Fund was setup on February 11, 1999.It is a joint venture of Vysya and ING.

Prudential ICICI Mutual Fund

- The mutual fund of ICICI is a joint venture with Prudential Plc. of America,
- Prudential ICICI Mutual Fund was setup on 13th of October, 1993 with two sponsorers, Prudential Plc. and ICICI Ltd.

State Bank of India Mutual Fund

- State Bank of India Mutual Fund is the first Bank sponsored Mutual Fund to launch offshore fund, the India Magnum Fund with a corpus of Rs. 225 cr. approximately.
- Today it is the largest Bank sponsored Mutual Fund in India. They have already launched 35 Schemes out of which 15 have already yielded handsome returns to investors.
- State Bank of India Mutual Fund has more than Rs. 5,500 Crores as AUM. Now it has an investor base of over 8 Lakhs spread over 18

Unit Trust of India Mutual Fund

- UTI Asset Management Company Private Limited, established in Jan 14, 2003, manages the UTI Mutual Fund with the support of UTI Trustee Company Private Limited.
- The sponsorers of UTI Mutual Fund are Bank of Baroda (BOB), Punjab National Bank (PNB), State Bank of India (SBI), and Life Insurance Corporation of India (LIC).
- The schemes of UTI Mutual Fund are Liquid Funds, Income Funds, Asset Management Funds, Index Funds, Equity Funds and Balance Funds.

Standard Chartered Mutual Fund

- Standard Chartered Mutual Fund was set up on March 13, 2000 sponsored by Standard Chartered Bank. The Trustee is Standard Chartered Trustee Company Pvt. Ltd.

Concept of Financial Services

- Financial services can be defined as the products and services offered by institutions like banks of various kinds, like loans, insurance, credit cards, investment opportunities and money management as well as providing information on the stock market and other issues like market trends.
- The Gramm-Leach-Bliley Act enacted in the late 1990s brought the term financial services .The result was the merger of many organizations offering the above mentioned services under one banner giving rise to a new typeof banking popularly known as Commercial Banking and a number of organizations like Citibank came into existence purely as service providers.

major service providers and commercial banks are:

1. Citibank
2. HSBC
3. Standard Chartered
4. Citigroup
5. Merrill Lynch
6. Morgan Stanley
7. ING (Investment)
8. American Express (Credit Card)
9. VISA (Credit Card)
10. Allianz (Insurance)

Emerging Trends in Financial Services

Increased Automation- Financial projects are still managed under the watchful eyes of highly qualified professionals, but the actual processing and transacting is being done by automated software systems.

Diminishing Size Limitations- dramatic increase in the number of Small & Medium Enterprises (SMEs) hiring financial outsourcing services.

- **Rapidly Expanding Wider Presence- due to** rising demand for financial services, locations like countries such as Ahmedabad, New Delhi, Chandigarh, Kolkata, etc., have also started offering financial services.
- **Introduction of Web Technology-** In addition, websites can offer dialog-based or even voice-based assistance for users of the site. This is will make it much easier to service complex financial products online to both consumers and to agents.

Nature of Financial Services

- 1. Financial data tends to be very personal in nature. Customers of financial information are generally very particular about the exact types of information that they personally need.
- 2. Financial data must be accessible. Users must be able to find the information they need quickly.
- 3. Financial data must be accurate. Mistakes can lead to incorrect or misguided decision-making, with potentially dire results.

Types of Financial Services

Banking Services

1. Keeping money safe while also allowing withdrawals when needed
2. Issuance of checkbooks so that bills can be paid and other kinds of payments can be delivered by post
3. Provide personal loans, commercial loans, and mortgage loans (typically loans to purchase a home, property or business)
4. Issuance of credit cards and processing of credit card transactions and billing
5. Issuance of debit cards for use as a substitute for checks
6. Allow financial transactions at branches or by using Automatic Teller Machines
7. Provide wire transfers of funds and electronic fund transfers between banks
8. Facilitation of standing orders and direct debits, so payments for bills can be made automatically
9. Provide overdraft agreements for the temporary advancement of the bank's own money to meet monthly spending commitments of a customer in their current account
10. Provide charge card advances of the bank's own money for customers wishing to settle credit advances monthly.

11. Provide a check guaranteed by the bank itself and prepaid by the customer, such as a cashier's check or certified check

12. Notary service for financial and other documents.

- **Other Types of Bank Services**

Private banking - Private banks often provide more personal services, such as wealth management and tax planning, than normal retail banks.

Capital market bank - bank that underwrite debt and equity, assist company deals (advisory services, underwriting and advisory fees), and restructure debt into structured finance products.

Bank cards - include both credit cards and debit cards. Bank of America is the largest issuer of bank cards.

- ***Credit card machine services and networks -*** companies which provide credit card machine and payment networks call themselves "merchant card providers".

Foreign Exchange Services

- ***Currency Exchange -*** where clients can purchase and sell foreign currency banknotes
- ***Wire Transfer -*** where clients can send funds to international banks abroad
- ***Foreign Currency Banking -*** banking transactions are done in foreign currency.
- **Investment Services**
- ***Asset management:*** The term usually given to describe companies which run collective investment funds.
- ***Hedge fund management:*** Hedge funds often employ the services of "prime brokerage" divisions at major investment banks to execute their trades.
- ***Custody services:*** Custody services and securities processing is a kind of 'back-office' administration for financial services. Assets under custody in the world was estimated to $65 trillion at the end of 2004.

Insurance Services

- ***Insurance brokerage:*** Insurance brokers shop for insurance (generally corporate property and casualty insurance) on behalf of customers. insurance, causing controversy within the industry.
- ***Insurance underwriting:*** Personal lines insurance underwriters actually underwrite insurance for individuals, a service still offered primarily through agents, insurance brokers, and stock brokers. Activities include insurance and annuities, life insurance, retirement insurance, health insurance, and property & casualty insurance.
- ***Reinsurance:*** Reinsurance is insurance sold to insurers themselves, to protect them from catastrophic losses.

Other Financial Services

- ***Intermediation or advisory services:*** These services involve stockbrokers (private client services) and discount brokers. Stock brokers assist investors in buying or selling shares.

- ***Private equity:*** Private equity funds are typically closed-end funds, which usually take controlling equity stakes in businesses that are either private, or taken private once acquired.
- ***Venture capital:*** Venture capital is a type of private equity capital typically provided by professional, outside investors to new, high-potential-growth companies in the interest of taking the company to an IPO or trade sale of the business.
- ***Angel investment:*** An angel investor or angel is an affluent individual who provides capital for a business start-up, usually in exchange for convertible debt or ownership equity.
- ***Conglomerates:*** A financial services conglomerate is a financial services firm that is active in more than one sector of the financial services market e.g. life insurance, general insurance, health insurance, asset management, retail banking, wholesale banking, investment banking, etc.