



ARIHANT COLLEGE OF ARTS,
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F.Y. B.COM : BANKING AND FINANCE I (SEM-I)

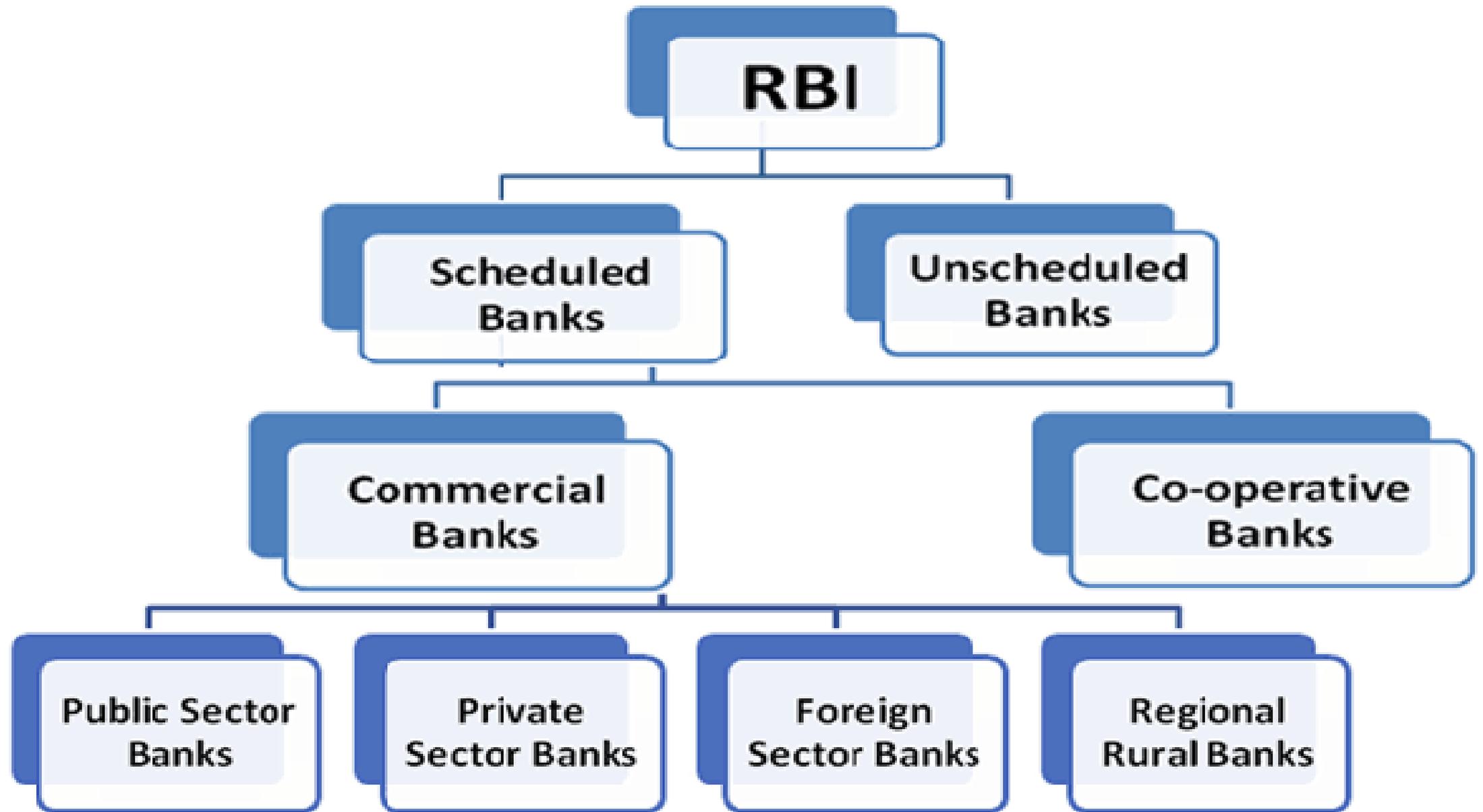
TOPIC : BANKING STRUCTURE IN INDIA

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INTRODUCTION:

The Banking system of a country is an important pillar holding up the financial system of the country's economy. The major role of banks in a financial system is the mobilization of deposits and disbursement of credit to various sectors of the economy. The existing, elaborate banking structure of India has evolved over several decades.

There are multiple layers in today's banking structure to cater to the specific and varied requirements of different customers and borrowers. The structure of banking in India played a major role in the mobilization of savings and promoting economic development.



The structure of banking system differs from country to country depending upon their economic conditions, political structure, and financial system.

□ RBI :

1. Central Bank of the country .
2. It is the apex institution of country's monetary and financial system.
3. The Reserve Bank of India (RBI) was established on April 1, 1935, in accordance with the Reserve Bank of India Act, 1934.
4. The central bank of any country executes many functions such as overseeing monetary policy, issuing currency, managing foreign exchange, working as a bank for government and as a banker of scheduled commercial banks. It also works for overall economic growth of the country.

❑ SCHEDULED BANKS

Scheduled banks are those banks that are listed under Schedule II of the Reserve Bank of India Act, 1934.

The bank's paid-up capital and raised funds must be at least Rs. 5 lakh to qualify as a scheduled bank. These banks are liable for low interest loans from the RBI.

They also have membership in clearing houses.

They also have numerous obligations to fulfil such as maintaining an average daily Cash Reserve Ratio with the central bank.

❑ NON- SCHEDULED BANKS

They are not listed in the second schedule of the RBI Act.

There is no such condition that needs to be fulfilled for it to be considered a non-scheduled bank.

They maintain the CRR amount with themselves.

They are not allowed to.

These banks are riskier.

❑ **COMMERCIAL BANK:**

The term commercial bank refers to a financial institution that accepts deposits, offers checking account services, makes various loans, and offers basic financial products like certificates of deposit (CDs) and savings accounts to individuals and small businesses.

❑ **PUBLIC SECTOR BANK :**

Public sector banks (PSBs) are those in which the government **owns more than 50% of the stock**. The government regulates the financial guidelines for these banks. Most depositors believe that their money is safer in public sector banks because they are owned by the government.

The **State Bank of India (SBI)**, for example, is India's largest public sector bank.

- ❑ **PRIVATE SECTOR BANK:** Private Sector Banks are those banks in which the majority of the stake is held by shareholders of the bank and not by the government. RBL bank, HDFC Bank, ICICI Bank, Yes Bank, etc. are the private sector banks in India. They provide all the banking products and services to the customers.
- ❑ **FOREIGN BANK :** Foreign banks are registered and have their headquarters in another country, but they have branches in our country. A foreign bank branch is a type of foreign bank that is required to follow both the home and host country's regulations. Banks frequently open a foreign branch in order to better serve their multinational corporate clients.

❑ **REGIONAL RURAL BANK:** **Regional Rural Banks**

(**RRBs**) are government owned scheduled commercial banks of India that operate at regional level in different states of India. These banks are under the ownership of Ministry of Finance , Government of India. They were created to serve rural areas with basic banking and financial services. However, RRBs also have urban branches.

The area of operation is limited to the area notified by the government of India covering, and it covers one or more districts in the State. RRBs perform various functions such as providing banking facilities to rural and semi-urban areas, carrying out government operations like disbursement of wages of MGNREGA workers and distribution of pensions, providing para-banking facilities like locker facilities, debit and credit cards, mobile banking, internet banking, and UPI services

❑ **CO-OPERATIVE BANKS** : They are small financial institutions that offer lending facilities to small businesses in both urban and non-urban regions. These are monitored and regulated by the Reserve Bank of India (RBI) and come under the Banking Regulations Act, 1949 as well as the banking laws act, 1965. The Co-Operative Banks have a huge significance for the small businesses as these have around 67% penetration in villages and account for 46% of the net funding for the rural businesses through support for processing, housing, warehousing, transport, dairy, etc.

TYPES OF CO-OPERATIVE BANKS

01

CENTRAL CO-OPERATIVE BANKS

02

STATE CO-OPERATIVE BANKS

03

PRIMARY CO-OPERATIVE BANKS

04

LAND DEVELOPMENT BANKS

DEVELOPMENT BANKS

Development Banks are special industrial financing Institutions. This concept is of recent origin. These banks were mostly set up after World War II in both developed and underdeveloped countries. The role of Development Banks is more pronounced in developing countries where governments have taken upon themselves the task of accelerating the pace of economic development.

A Development Bank does not accept deposits from the public like commercial banks and other financial Institutions who entirely depend upon saving mobilisation.

- It is a specialised financial institution which provides medium term and long term lending facilities.
- It provides financial assistance to both private as well as public sector institutions.
- The objective of this bank is to serve Public Interest rather than earning profits.

CONCLUSION :

SO, FROM THIS CHAPTER IT CAN BE CONCLUDED THAT INDIA HAVE A VAST BANKING STRUCTURE , FURTHER DIVIDED INTO MORE PUBLIC AND PRIVATE SECTOR BANKS. RESERVE BANK OF INDIA IS AN APPEX INSTITUTION THAT REGULATES ALL THE FUNCTIONS OF OTHER BANKS . VARIOUS COMMERCIAL BANKS ARE ALSO ESTABLISHED. FURTHER FOR DEVELOPMENT , SPECIALISED DEVELOPMENT BANKS ARE ALSO INTRODUCED IN THE BANKING STRUCTURE LIKE NABARD, SIDBI.

THANKYOU
CLASS !

IF ANYONE HAVE QUERY CAN ASK !