History of Indian Banking Video

https://youtu.be/amHLx5JvU_Q

Bank and Types of Bank

Bank: It is a financial institution which act as intermediary between those who have surplus fund and those who need it.Bank are also known as financial intermediaries.

Banking Regulation Act 1949 defines and governs the banking activities in India.As per Section 5(b) of this act,banking has been defined as "the accepting, for the purpose of lending or investment of deposit of money from the public,repayable on demand or withdrawal by cheque, draft,order etc".
Banks are allowed to undertake several other functions like bill business,foreign exchange business,bond/debantures,bank guarantees letter of credit etc as mentioned in sec 6 of the Banking regulation Act,1949.

Banking has three unique features not available to any other organization:
a)The deposits are repayable on demand
b)Issue Cheques
c)Incorporate word like bank,banking,banker etc in their name.

To undertake the banking activities in India,it is compulsary, by law,to obtain licence from the Reserve Bank of India(Sec 22 of Banking Regulation Act 1949).

Minimum capital Required to start a banking company is Rs500 crore.

The Banking Regulation Act 1949,authorises the RBI to regulate and control the bank in India.As per section 35(a) of this law,the RBI is fully authorised to issue any instructions/direction to the banks.

<u>**Types of Bank:**</u>

1)Scheduled Bank & Non Scheduled Bank:

A bank whose name appears in the second schedule of the RBI Act 1934.They are also given membership to clearing house.
A bank whose name does not appear in the 2nd schedule is called a non-schedule bank.

2)Statutory Bank

The bank which have been constituted under a Separate Act of Parliament.
Example: RBI(RBI Act 1934), SBI(SBI Act 1955),IDBI(Transfer of Undertaking & Repeal Act 2003)

3)Public Sector Bank

All those bank where the govt share holding is 51% or more.

4)Nationalised Bank

The banks which are nationalised in 1969 and 1980 via Banking Companies(Acquisition & Transfer of Undertaking) Act are called Nationalised Banks. In all, 14 banks were nationalised in 1969 & 6 in 1980.

5)Private Bank

The bank are registered under the Companies Act,1956.
<u>Two Types:</u>
a)Indian Bank: Bank registered in India
b)Foreign Bank:Bank registered outside India

6)Regional Rural Bank (RRB)

Regional Rural Banks were established under the provisions of an Ordinance passed on September 1975 and the RRB Act. 1976 to provide sufficient banking and credit facility for agriculture

and other rural sectors. These were set up on the recommendations of The M. Narasimham Working Group during the tenure of Indira Gandhi's government with a view to include rural areas into economic mainstream since that time about 70% of the Indian Population was of Rural Orientation. The development process of RRBs started on 2 October 1975 with the forming of the first RRB, the Prathama Bank with authorised capital of Rs. 5 crore at its starting. Also on 2 October 1976 five regional rural banks were set up with a total authorised capital Rs. 100 crore ($10 Million) which later augmented to 500 crore ($50 Million). The Regional Rural Bank were owned by the Central Government, the State Government and the Sponsor Bank(There were five commercial banks, Punjab National Bank, State Bank of India, Syndicate Bank, United Bank of India and United Commercial Bank, which sponsored the regional rural banks) who held shares in the ratios as follows Central Government-50%, State Government- 15% and Sponsor Banks- 35%.
Father of RRB is M.Swaminathan

7)Cooperative Banks
These banks are cooperative societies registered under the respective State Cooperative Societies Act. For their organisational structure,they are governed by the State Cooperative Societies Act and for the banking function they are governed under Banking Regulation Act.
Both RRB and Cooperative Banks are supervised by NABARD

8)Differentiated Banking:
Nachiket Mor Committee constituted by a RBI proposed a Differentiated Banking system with Payment Banks for Deposits & Wholesale Banks for credit with relaxed entry point for financial inclusion.

Similarities of Payment Bank and Small Finance Bank:
1. Minimum Capital required is 100 crores. (Regular bank license requires 500 Crore).
2. FDI limits, voting rights are similar to regular commercial banks like SBI, PNB, BoB, ICICI etc.

SMALL BANKS:

1)They cater to deposits and loans particularly in small areas.

2)They are meant for financial inclusion of small farmers, MSMEs, and the unorganised sector. MFI, NBFC can convert themselves to differentiated small banks if a license is allotted to them.

3)25% rural branching.

4)50% loans to MSME.

5)PSL of 40% applies that they need to comply to within 3 years of their licensing.

6)Cooperative bank can’t apply for license of small banks.

7)NRI can apply for licenses.

8)Cluster preference for licensing would be for North East.

PAYMENT BANKS:

1)Only CASA, net banking and debit cards or prepaid cards are allowed.

2)(FD/Loan are not allowed so the source of their earning would be to invest in Government Securities where they would get an annual interest of around 8%.

3)Payments and remittance for poors, migrants, unorganized will be their area of concern. This was done because the commission applied if money is sent through post is a lot because of which thee poor tend to suffer. The other important reason for doing this was because remittances sent to India are the highest in the world so an initiative in this regard will help out in balancing the BoP to some extent.

4)Max balance of Rs.1lakh/customer is allowed.

9)Development Financial Institution(DFI):

These financial institutions have been set up under different acts of parliament, each for a specific purpose.They do not have banking licence & hence, cannot issue their own cheques. They have limited public dealing & generally they deal with bank & others financial institutions.

In India, there are five major DFIs as under:

a)NABARD(National Bank for Agricultural & Rural Development)

NABARD was established on the recommendations of B.Sivaraman Committee, (by Act 61, 1981 of Parliament) on 12 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 premier agencies providing developmental credit in rural areas. NABARD is India’s specialised bank for Agriculture and Rural Development in India.

Headquarter: Mumbai

Chairman:Dr. Harsh Kumar Bhanwala

It is owned by Govt. Of India(99%) and RBI(1%).

b)EXIM Bank(Export Import Bank of India)

Established by the Government of India, we commenced operations in 1982 under the Export-Import Bank of India Act, 1981 as a purveyor of export credit, mirroring global Export Credit Agencies. With our rich pedigree, today we serve as a growth engine for industries and SMEs through a wide range of products and services. This includes import of technology and export product development, export production, export marketing, pre-shipment and post-shipment and overseas investment.

Headquarter:Mumbai

Chairman: Yaduvendra Mathur

c)NHB(National Housing Bank)

Set up in 1988 under the National Housing Bank Act 1987, it is

owned by the RBI & works for the development of housing finance sector & also regulates the housing finance companies.
Headquarter:New Delhi
Chairman: Sriram Kalyanaraman

d)SIDBI(Small Industries Development Bank of India)
Small Industries Development Bank of India (SIDBI), set up on April 2, 1990 under an Act of Indian Parliament, acts as the Principal Financial Institution for the Promotion, Financing and Development of the Micro, Small and Medium Enterprise (MSME) sector and for Co-ordination of the functions of the institutions engaged in similar activities.
Headquarter:Lucknow
Chairman:Kshatrapati Shivaji

e)IFCI(Industrial Finance Corporation Of India)
Established in 1948 under an act of parliament, it is the first DFI in the country to cater to the long term finance needs of the industrial sector. The govt holds a majority share in IFCI along with several other Financial Institutions.

The **ECGC Limited (Formerly Export Credit Guarantee Corporation of India Ltd)** is a company wholly owned by the Government of India based in Mumbai, Maharashtra.It provides export credit insurance support to Indian exporters and is controlled by the Ministry of Commerce. Government of India had initially set up Export Risks Insurance Corporation (ERIC) in July 1957. It was transformed into Export Credit and Guarantee Corporation Limited (ECGC) in 1964 and to Export Credit Guarantee Corporation of India in 1983.
Chairman :Geetha Muralidhar

History of Banking In India

The story of banking starts from **Bank of Hindustan** established in **1770** and it was first bank at Calcutta under European Management.
In **1786,General Bank of India** was set up.
Three Presidency Banks were set up under charters from the British East India Company-Bank of Calcutta,Bank of Bombay & Bank of Madras.
1)Bank of Calcutta established in 1806 immediately became the Bank of Bengal.
2)Bank of Bombay(1840)
3)Bank of Madras(1843)

In **1921,**these 3 banks merged with each other and **Imperial bank of India** got birth and in **1955** its nationalized and became the **State Bank of India**.So,the State Bank of India is the oldest bank of india.

Allahabad Bank which was established in 1865 & working even today.Allahabad bank is also known as **Oldest Joint Stock Bank.**

The first purely managed by Indian was **Punjab National Bank** established in Lahore in 1895.

The first Indian commercial Bank which was wholly owned & managed by Indian was **Central Bank of India** which was established in 1911.Central Bank of India was dream come true of Sir Sorabji Pochkanwala, founder of the bank.

Bank of India was the first Indian bank to open a branch outside India in London in 1946 and the first to open a branch in Europe at Paris.

In major process of nationalization, 7 subsidiaries of the State Bank of India were nationalized by the Indira Gandhi regime.In 1969, 14 major private commercial bank were nationalized with capital of 50 crore.

These 14 banks Nationalized in 1969 are as follows:-

1)Central Bank of India
2)Bank of Maharastra
3)Dena Bank
4)Punjab National Bank
5)Syndicate Bank
6)Canara Bank
7)Indian Bank
8)Indian Overseas Bank
9)Bank of Baroda
10)Union Bank
11)Allahabad Bank
12)Union Bank of India
13)UCO Bank
14)Bank of India

In 1980, 6 more banks were nationalized with the capital of 200 crore.

1)The Andhra Bank
2)The Corporation Bank
3)The New Bank of India(Merged with PNB in 1993)
4)The Oriental Bank of Commerce
5)The Punjab & Sindh Bank
6)The Vijaya Bank

On 19 November 2013,on the occasion of the 94th birth anniversary of former Indian Prime Minister Indira Gandhi ,the first woman bank of india "**Bharatiya Mahilla Bank**" was established.

Some Facts:

a)Andhra Bank was founded by a Freedom Fighter Dr. Bhogaraju Pattabhi Seetaramayya
b)Canara Bank was the first bank to be given an ISO 9002 cerificate for one of it branches.
c)Punjab National Bank is formed on the effect of Lala Lajpat Rai
d)UCO Bank is the bank which was conceived by Shri GD Birla

e)Union Bank of India is the bank which was inaugurated by Mahatama Gandhi(1919)
f)Bank of Baroda has largest no of branches abroad.It punchline is “India International Bank”.
g)Bengal Bank (1784) first introduced cheque system in India.
h)ICICI bank first introduced internet banking in India
i)SBI first introduced Mutual Fund
j)Central bank of India first introduced Credit card in India

RBI in 1993 gave license to 12 Private bank in 2nd phase. 10 private bank in 1993 and 2 private bank in 2003-04.

Banking Awareness MCQ-6 For Indian/Syndicate Manipal PO Exam

1)A right to keep possession of property belonging to another person until a debt owned by that
person is discharged is called as:
a) Lien
b) Mortgage
c) Custody
d) None of these

2)When Aggregate supply is less than aggregate demand is then:
a) Deflation Occurs
b) Inflation Occurs
c) Stability Occurs
d) None of these

3)Conversion of Physical form of share into electronic form is called:

a) E-Share
b) DEMAT
c) Online Share Cards
d) None of these

4)KYC policy has been actually innovated by:
a) Fed Reserve of USA
b) Basel committee
c) RBI
d) GOI, Ministry of Finance

5)The amount of cash funds that the banks have to maintain with RBI is known as:
a) Repo Rate
b) Cash Reserve Ratio
c) Base Rate
d) Mortgage Rate

6)Which of the following term is not related to Banking/Finance operations:
a) Consolidation
b) Provision Coverage Ratio
c) Commodification
d) None of These

7)The term SMART MONEY refers to:
a) Travellers Cheque
b) Internet Banking
c) Credit Cards
d) None of These

8)Which of the following is not required for opening a bank account:
a) Identity Proof
b) Domicile Certificate
c) Recent Photographs
d) None of These

9)Reserve Bank of India was set up on the recommendations of

which of the following commission/committee:
a) D R Mehta Commission
b) Basel Committee
c) Royal Commission on Indian Currency and Finance
d) None of These

10)CRYPTO-CURRENCY is:
a) Currency of A Country
b) Digital Medium of Exchange
c) Plastic Money
d) None of These

Answers:
1)a
2)b
3)b
4)b
5)b
6)a
7)c
8)b
9)c
10)b