

Index of Banks in India – An Overview

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SUMMARY

Banking is not a new concept to anyone, whether they are homemakers, wage-earners, entrepreneurs, workers, students or some other profession. In a country, the banking sector holds finance which includes cash and credit. Particularly, the Indian homes are well linked to the banks. Banks are the pillar of a country's economy. Banks are the institutional bodies which accept deposits and grant credit to the enterprises and play an important role in keeping a nation's economic position. For most countries, banks are kept under tight supervision because of their role in the economy. The Reserve Bank of India (RBI) is the apex banking institution in India which regulates the country's monetary policy.

INTRODUCTION

Banks are financial institutions that serve the roles of depositing and lending. There are different types of banks in India and each is responsible for performing multiple functions. The bank will take deposit from the public at a much lower interest rate termed as deposit rate, and grant loans at a much higher rate called the lending rate. Banks are categorized into different types.

The Bank types in India are given below:-

- Central Bank
- Commercial Banks
- Local Area Banks
- Small Finance Banks
- Cooperative Banks
- Regional Rural Banks
- Specialized Banks
- Payments Banks

Functions of Banks

Banks key functions are essentially the same, but the collection of people dealt with by each sector or form can vary. Provided the banks role in India below:

- Acceptance of deposits from the public
- Issue of drafts
- Provide demand withdrawal facility
- Provide customers with locker facilities
- Lending facility
- Dealing with foreign exchange
- Transfer of funds

Central Bank

The Reserve Bank of India is the central bank of our country. Each country has a central bank which regulates all the other banks in that particular country. The main function of the central bank is to act as the Government's Bank and guide and regulate the other banking institutions in the country. Given below are the functions of the central bank of a country:

- Providing guidance to other banks
- Implementing the monetary policies
- Issuing currency
- Supervisor of financial system

Co-operative Banks

Co-operative banks are authorized under the Cooperative Societies Act, 1912 and are governed by an elected management committee. They offer short term loan to agricultural sector and other related activities. Cooperative banks main purpose is to enhance social welfare by granting financial assistance. i.e, State Cooperative Banks, District Cooperative Banks, Primary Agriculture Cooperative Banks.

Commercial Banks

Commercial banks are governed and operated according to the Banking Regulation Act, 1949. These are banks making profit, depending on business method. The main function is to issue loans to the government,

general public, corporate organizations and accept deposits. This includes public sector, private sector and foreign banks.

Regional Rural Banks

The RRBs were established in 1975 and are registered under the Regional Rural Bank Act, 1976. RRBs are joint ventures between the Central Government (50%), the State Government (15%) and a Commercial Bank (35%). These banks were nationalized keen to support the weaker and less fortunate group of society such as marginal and small farmers, laborers, small firms, etc. They mainly focus at different countries at regional level, and may also have sections in urban areas.

Local Area Banks

These banks are introduced in India in 1996. Private sector organizes these bank activities. Local Area Banks primary goal is to gain income. These banks are registered under the Company Act, 1956. There are actually only 4 Local Area Banks all in South India.

- Coastal Local Area Bank Ltd, Vijayawada (Andra Pradesh)
- Capital Local Area Bank Ltd, Phagwara (Punjab)
- Krishna Bhima Samruddhi Local Area Bank Ltd, Mahbubnagr (Andra Pradesh)
- Subhadra Local Area Bank Ltd, Kolhapur (Maharashtra)

Specialized Banks

- Small Industries Development Bank of India (SIDBI) – Loans can be borrowed from SIDBI for a small scale industry or business. With the aid of this bank, lending of small industries with advanced techniques and infrastructure is provided.
- EXIM Bank – EXIM Bank provides for Bank of imports and exports. The same kind of bank may be used to secure loans or other financial support with the exports or import of goods from foreign countries
- National Bank for Agricultural & Rural Development (NABARD) – People may turn to NABARD to get any form of financial support for rural, handicraft, village, and agricultural production.

Small Finance Banks

These banks account for a specific market in the society and aid with the financial inclusion of parts that other leading banks don't take care of. They are concerned with micro-industries, unorganized sector, small farmers etc. These are licensed under Section 22 of the Banking Regulation Act, 1949 and are governed by the provisions of RBI Act, 1934 and FEMA. Some of these i.e, Au small finance bank, Capital small finance bank, Fincare small finance bank, etc.

Payments Bank

The payments bank has been conceptualized by the Reserve Bank of India as a newly proposed form of financing. Persons with an account in the bank of payments can only deposit up to Rs.1,00,000/- and under this account cannot apply for loans or credit cards. Online banking, mobile banking, ATM issue and debit card solutions can be achieved via bank payments. i.e, Airtel Payments Bank, India Post Payments Bank, Fino Payments Bank, Jio Payments Bank, Paytm Payments Bank, NSDL Payments Bank.

CONCLUSION

If an individual invests funds into their savings account then the bank will lend the money to other people. The depositing customer earns a small amount of cash in return (interest on deposits), and the borrowing consumer pays the bank in return (interest on loans) a greater sum of money. Likewise banks are performing their roles to the customers.

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