

BANK EXAMS

GENERAL AWARENESS

Kinds of Banks in India

The Financial Requirements in a modern economy are of a diverse nature, distinctive variety and large magnitude. These banks satisfy the various needs of people from every walk of life. The important kinds of banks mentioned below.

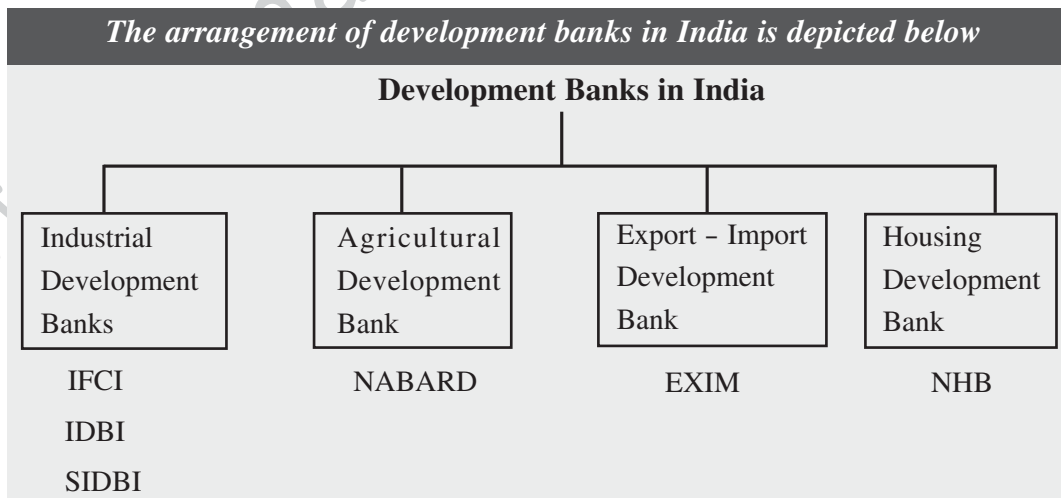
- 1. Commercial Banks:** Commercial banks are established with an objective to help businessmen. These banks collect money from general public and give short-term loans to businessmen by way of cash credits, overdrafts, etc. Commercial banks provide various services like collecting cheques, bill of exchange, remittance money from one place to another place.
 - ★ In India, commercial banks are established under Companies Act, 1956. In 1969, 14 commercial banks were nationalized by Government of India, and the nationalization continued later also. The policies regarding deposits, loans, rate of interest, etc. of these banks are controlled by the Central Bank/ supervisor banks in that nation.
- 2. Saving Banks:** Saving banks are established to create saving habit among the people. These banks are helpful for salaried people and low income groups. The deposits collected from customers are invested in bonds, securities, etc. At present most of the commercial banks carry the functions of savings banks. Now a days the development banks also discharging the functions of savings banks.
- 3. Land Mortgage or Land Development Banks:** Land Mortgage or Land Development banks are also known as Agricultural Banks because these are formed to finance agricultural sector. They also help in land development. In India, Government has come forward to assist these banks. The Government has guaranteed the debentures issued by such banks. There is a great risk involved in the financing of agriculture and generally commercial banks do not take much interest in financing agricultural sector.
- 4. The indigenous banking system:** It was carried by the indigenous bankers like Shroffs, Seths, Sahukars, Mahajans, Chettis etc though they did not evolve the sound banking system in India.
- 5. Central / Federal / National Bank:** Every country of the world has a central bank. In India, Reserve Bank of India, in U.S.A, Federal Reserve and in U.K, Bank of England. These central banks are the bankers of the other banks. They provide specialized functions i.e. issue of paper currency, working as bankers of government, supervising and controlling foreign exchange. A central bank is a non-profit making institution. It does not deal with the public but it deals with other banks. The principal responsibility of Central Bank is thorough control on currency of a country.
- 6. Exchange Banks:** Hong Kong Bank, Bank of Tokyo, Bank of America are the examples of Foreign Banks working in India. These banks are mainly concerned with financing foreign trade.

Following are the various functions of Exchange Banks:

1. Remitting money from one country to another country
2. Discounting of foreign bills
3. Buying and Selling Gold and Silver, and
4. Helping Import and Export Trade

7. **Consumer Banks:** Consumers bank is a new addition to the existing type of banks. Such banks are usually found only in advanced countries like U.S.A. and Germany. The main objective of this bank is to give loans to consumers for purchase of the durables like Motor car, television set, washing machine, furniture, etc. The consumers have to repay the loans in easy installments.
8. **Industrial / Development Banks:** Industrial/ Development banks collect cash by issuing shares & debentures and providing long-term loans to industries. In the recent period they are also accepting cash deposits and lending. Development banks are specialized financial institutions. They provide medium and long-term finance to promote and develop important sectors like agriculture, industry, import-export, housing and allied activities. They provide finance to both private and public sector. Development banks are multipurpose financial institutions. To promote Industries after independence, the institutions/ and banks like Industrial Finance Corporation of India (IFCI), Industrial Credit and Investment Corporation of India (ICICI) and Industrial Development Bank of India (IDBI) were established.
- ★ Development banking was started after the World War II. It provided finance to reconstruct the buildings and industries which were destroyed in the war.
 - ★ In India, development banking was started immediately after Independence.

The arrangement of development banks in India is depicted below



Model Questions

1. The motto of commercial banks is
 - 1) helping the people
 - 2) creating awareness among the people about banking
 - 3) accept deposits only
 - 4) to crush the interest of development banks
 - 5) earning the profit
2. Which of the following function is not discharged by commercial bank?
 - 1) issue negotiable instruments
 - 2) provide the cash credit
 - 3) doing the agriculture activity
 - 4) provide the short term lending
 - 5) None

3. Indian Commercial Banks are categorized into
- 1) Public sector banks
 - 2) Foreign banks
 - 3) Private sector banks
 - 4) All of the above
 - 5) None
4. Largest commercial bank of the country is
- 1) Bank of India
 - 2) State Bank of India
 - 3) Canara Bank
 - 4) Union Bank of India
 - 5) ICICI
5. Which department in India also authorized to run the savings bank, permitted by Government of India?
- 1) Shares and Securities department
 - 2) Income tax department
 - 3) Postal department
 - 4) All of above
 - 5) None
6. First Land Development Bank in India (LDB) was started at Jhang in
- 1) 1920
 - 2) 1940
 - 3) 1945
 - 4) 1975
 - 5) None
7. List of Central banks given. Locate the wrong combination.
- 1) Russia – Central Bank of the Russian Federation – 1860
 - 2) India – Reserve Bank of India – 1947
 - 3) USA – Federal Bank – 1913
 - 4) Switzerland – Central Bank of Swaziland – 1974
 - 5) Pakistan – State Bank of Pakistan – 1948
8. Economic and Monetary Community of Central Africa - Bank of Central African States (Banque des Etats de l'Afrique Centrale, BEAC) was established in
- 1) 1969
 - 2) 1980
 - 3) 1990
 - 4) 2010
 - 5) 1972
9. Bank of Central African States (BEAC) serves six Central African States. They are Cameroon, Central African Republic, Chad, Congo, Equatorial Guinea and
- 1) South Africa
 - 2) Gabon
 - 3) Zimbabwe
 - 4) Zambia
 - 5) Kenya
10. Which of the following banks not categorized as development bank in India?
- 1) NABARD
 - 2) SIDBI
 - 3) Axis Bank
 - 4) NHB
 - 5) MUDRA Bank
11. Industrial Investment Bank of India (IIBI) was established in
- 1) 1969
 - 2) 1955
 - 3) 2000
 - 4) 1971
 - 5) None
12. In order to rehabilitate the sick units in India, Industrial Reconstruction Corporation of India Ltd. (IRCI) set up in 1971. It was later reconstituted as Industrial Reconstruction Bank of India (IRBI) in
- 1) 1981
 - 2) 1989
 - 3) 2010
 - 4) 1985
 - 5) 1982

13. To encourage the stream of Exports and Imports in India, the EXIM (Export – Import Bank of India) bank was established in 1982. Its present chairman is

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|----------------------|---------------------------|
| 1) Raghuram Rajan | 2) Ashok Chawla |
| 3) U.K. Sinha | 4) Arundhati Bhattacharya |
| 5) Yaduvendra Mathur | |

14. On 8 April 2015, Narendra Modi launched the Micro Units Development Refinance Agency (MUDRA) Bank which will provide credit of up to Rs 10 lakh to

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|---------------------------|-------------------------------------|
| 1) Large scale industries | 2) Solar Industrial Units |
| 3) Software parks | 4) Fashion industries entrepreneurs |
| 5) Small entrepreneurs | |

ANSWERS

1-5; 2-3; 3-4; 4-2; 5-3; 6-1; 7-2; 8-5; 9-2; 10-3; 11-4; 12-4; 13-5; 14-5.

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