

Hello students. Today we will discuss the structure of banking.

In this session we will discuss the first part of the structure and the remaining will be covered in the next session.

The outline for today's session.

- The structure of banking in India, which includes RBI and under RBI we have:
 - The Scheduled Bank and
 - The Non Scheduled bank.
- And the conclusion.

After this session you will be able to explain the structure of banking in India.

Quick recap:

Till now we have learned:

- The origin of banking.
- The origin of modern banking in India.
- The meaning of the terms: Bank, Banking, Banking Company and even the definition of banking.

In this module We're going to discuss the structure of banking in India.

Structure means the framework. The hierarchy or how Banking actually formulates or functions in our country.

From the chart we can see at the top most level, we have the RBI.

As we all know, RBI is the central Bank of our country and it is at the apex level.

It is further distributed or segregated or further classified as Scheduled Bank and Non-Scheduled bank.

Scheduled Banks are further classified as commercial banks and cooperative banks, and the commercial banks are further classified into four categories depending on the ownership or the nature of their operation. That is, public sector, private sector, foreign banks & RRBs. Public banks are further classified into nationalized banks and SBI.

Even private sector banks are classified further as old and new private sector banks.

RBI:

As I've already said earlier that, RBI is a central Bank of a country. It is the apex authority. It was established in the year 1935 on 1st of April under the RBI Act 1934. It issues guidelines for the functioning of all banks operating within the country, so no bank can operate without RBI's permission.

It is called the Reserve Bank as it keeps the reserves of all commercial banks. The RBI is the supreme monetary and banking authority in the country and controls the banking system in India.

Scheduled bank:

Moving ahead with the first classification of RBI.

Under RBI we have the scheduled bank:

Banks, which are included in the second scheduled of the RBI Act 1934 are called the Scheduled Bank.

There are two conditions to fall under the second schedule:

- The first one, the paid-up capital and collected funds of the bank should not be less than five lakhs.
- Any activity of the bank should not affect the interest of the depositor's

If these two conditions are fulfilled, any bank can be registered or can be listed under the second schedule of the RBI Act and will be called as the Schedule Bank.

Scheduled Bank are further classification as commercial banks and cooperative banks.

Commercial Bank is an institution that accepts deposits and lend loans & advances to general customers and businessmen. Commercial Bank works only on the motive of profit making.

They have been categorized in four different groups according to their ownership or nature of operation. They are: Public sector banks, private sector banks, RRBs and foreign banks which will be explained in the next session.

Co-operative banks are formed under the Co-operative Act 1904. Their members come together to start up or establish these banks and they themselves are the owners and the Customers of these banks. Cooperative banks are often created by persons belonging to the same locality or

professional community or those who are sharing common interest. These Banks provide limited banking products and are specialist in agriculture related products. Unlike Commercial banks, co-operative banks work on the principle of no profit, no loss.

The second classification of RBI is Non-Scheduled banks.

A bank which is not listed under the second schedule of the RBI Act 1934 is a Non-Scheduled banks.

Usually, they are the local area banks which fall under non-scheduled banks.

There are only three local area banks, namely the Capital Local Area Bank, Coastal Local Area Bank and Krishna Bhima Samruddhi Local Area Bank.

To conclude,

The structure of banking in India is headed by the apex bank that is RBI under which we have the schedule banks and the non-scheduled banks.

Under schedule banks, we have cooperative banks and commercial banks.

These are the references.

Thank you.