

INTRODUCTION TO BANKING OPERATIONS

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BANKING SCENARIO IN INDIA

Banks are the core financial intermediaries. They lie at the heart of the financial system of an economy. It helps in ensuring growth of the economy.

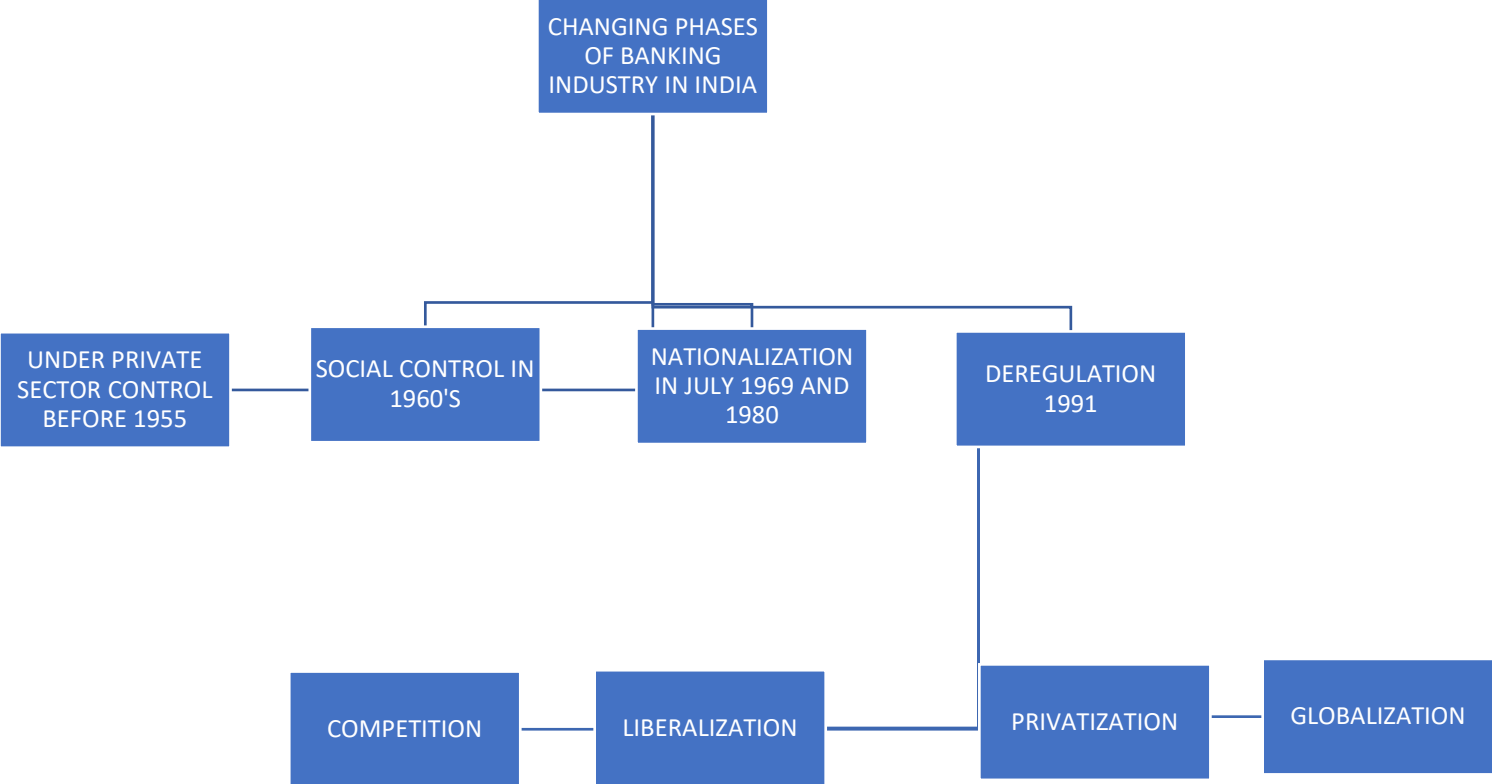
Banks perform the essential function of channelizing funds from savers (surplus economic units) to users (deficit economic units). Bankers are not mere 'dealers in money' but have become 'leaders in development'. The following are the three basic functions of a bank:

- *Maturity Transformation*: The banks convert Short-term liabilities into Long-term assets.
- *Risk Transformation*: Banks convert risk investments into less risky investments.
- *Convenience Denomination*: Banks convert small deposits with large loans and vice versa.

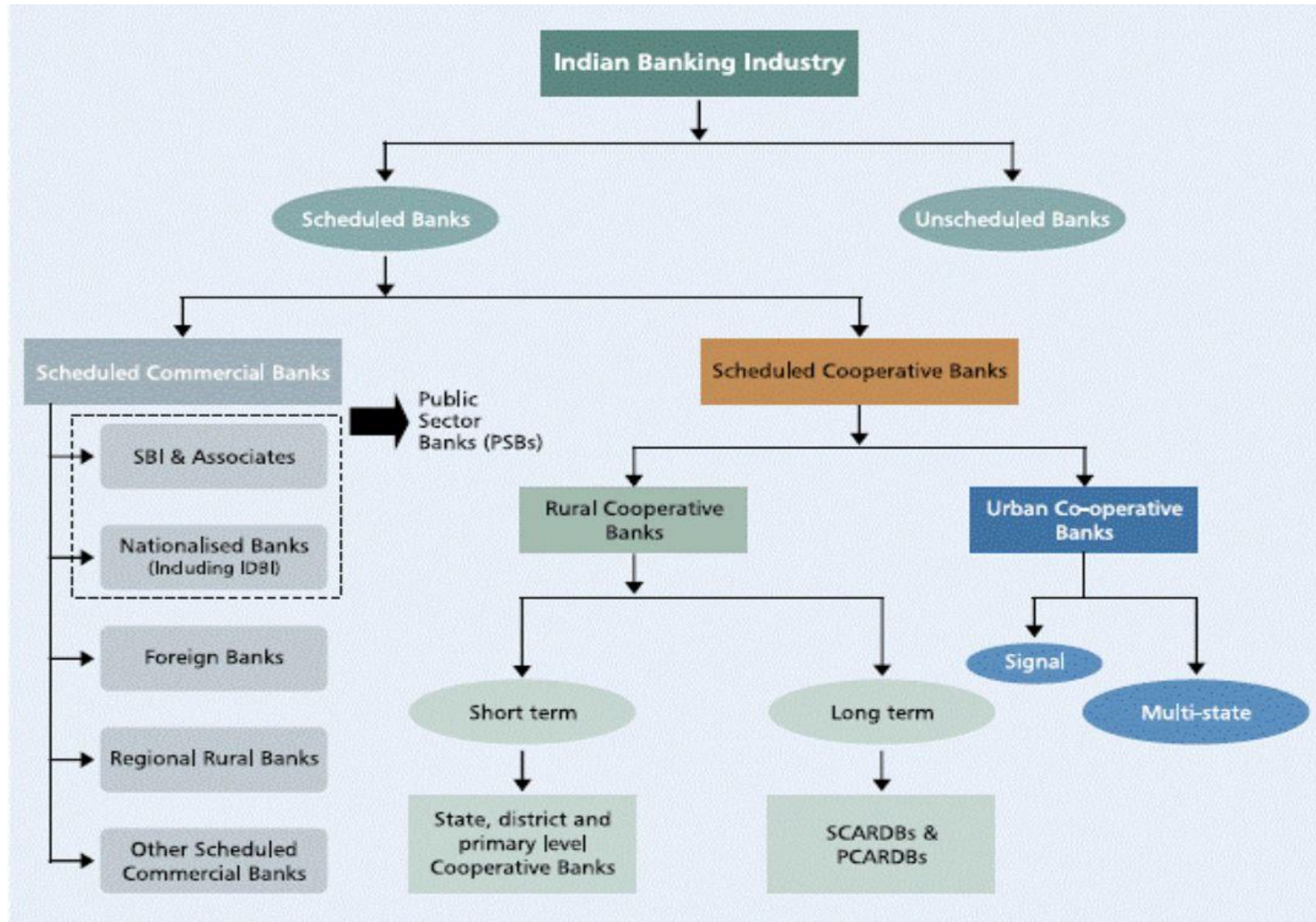
Most importantly, the banks most perform the function of liquidity. Historically, we talk about indigenous banking system that was being carried out Sharoffs, Seths, Sahukars, Mahajans, Chettis, etc. The origin of western type commercial Banking in India dates back to the 18th century.

The story of banking starts from Bank of Hindustan established in 1770 and it was first bank at Calcutta under European management. It was liquidated in 1830-32. In 1786, General Bank of India was set up but failed in 1791. Swadeshi movement also resulted in setting up of many banks during 1906 to 1911 and few of them survived till date.

CHANGING PHASES OF BANKING INDUSTRY IN INDIA



TYPES OF BANKS IN INDIA



Scheduled Commercial Bank

scheduled commercial bank is a commercial bank included in the Second Schedule of the Reserve Bank of India (RBI) Act, 1934, meaning it meets certain criteria regarding capital and sound practices set by the RBI, such as having a minimum paid-up capital of ₹5 lakh. These banks are eligible for low-interest loans from the RBI, access to the central bank's clearinghouse facilities, and must maintain a Cash Reserve Ratio (CRR) with the RBI, a status not afforded to non-scheduled banks. This includes various types of banks like the State Bank of India, nationalized banks, private sector banks, foreign banks, Regional Rural Banks, and Small Finance Banks, provided they meet the RBI's criteria.

State Bank of India

The State Bank of India (SBI) is India's largest public sector bank, a multinational financial services corporation with a legacy spanning over 200 years, headquartered in Mumbai. SBI offers a wide range of banking products and financial solutions to individuals, businesses, and institutional customers, leveraging technology to serve a vast network of branches and outlets across India and overseas.

Nationalized Bank (including IBDI)

India has 12 nationalized (or public sector) banks as of 2025. The list of these banks is: State Bank of India, Punjab National Bank, Bank of Baroda, Bank of India, Union Bank of India, Canara Bank, Indian Bank, Indian Overseas Bank, UCO Bank, Central Bank of India, Bank of Maharashtra, and Punjab and Sind Bank. These banks are government-owned and are crucial to the Indian banking sector.

Foreign Banks

Foreign banks in India, such as HSBC, Standard Chartered Bank, and Deutsche Bank, are banks from other countries that operate in India through branches or subsidiaries, offering personal, corporate, and investment banking services.

These banks are regulated by the Reserve Bank of India (RBI) in addition to their home country's regulations. Notable examples include Citibank, which began operations in India in 1902, and DBS Bank, which focuses on corporate and transaction services.

Regional Rural Banks

Regional Rural Banks (RRBs) are government-owned scheduled commercial banks in India, established in 1975 to provide financial services to rural areas, focusing on small farmers, artisans, and rural businesses. Sponsored by a combination of the Government of India, the respective State Governments, and commercial banks, they serve as a crucial channel for rural credit and financial inclusion. With 28 RRBs currently operating in 28 states and UTs, they are regulated by the Reserve Bank of India (RBI) and supervised by the National Bank for Agriculture and Rural Development (NABARD).

Scheduled Cooperative Banks

Scheduled cooperative banks in India are cooperative institutions included in the Second Schedule of the Reserve Bank of India (RBI) Act, 1934. By meeting specific criteria such as a minimum paid-up capital, these banks are regulated by the RBI and are eligible for loans from the central bank at the bank rate. This scheduling grants them access to RBI facilities and other benefits, allowing them to operate with services comparable to national banks.

THANKYOU!

