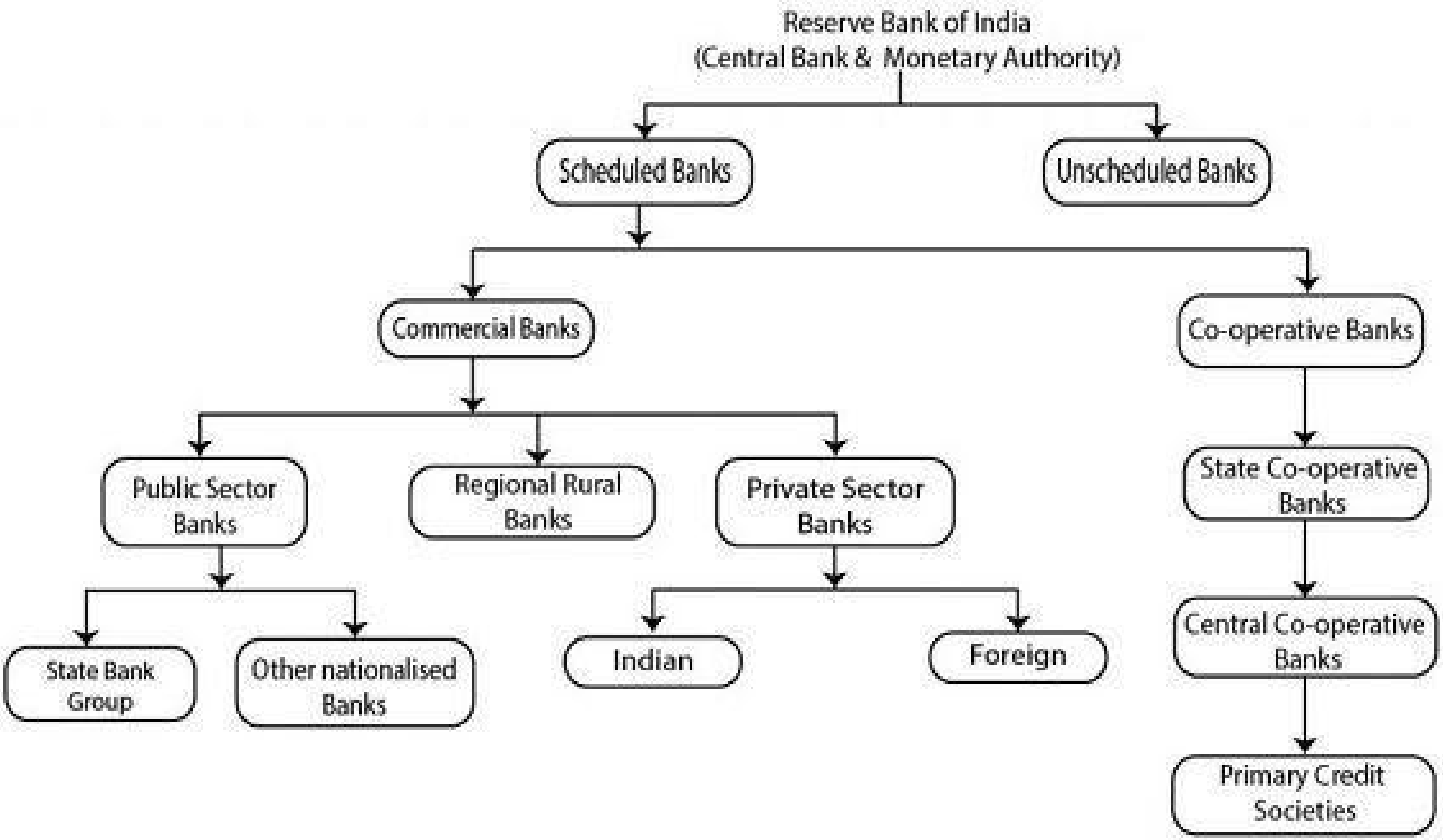
Classification of banks


Reserve Bank of India
(Central Bank & Monetary Authority)
Scheduled Banks
Unscheduled Banks
Commercial Banks
Co-operative Banks
Public Sector Banks
Regional Rural Banks
Private Sector Banks
State Co-operative Banks
State Bank Group
Other nationalised Banks
Indian
Foreign
Central Co-operative Banks
Primary Credit Societies

classification

There are two broad categories under which banks are classified in India-

1. SCHEDULED
2. NON-SCHEDULED BANKS.

Scheduled Banks

Scheduled banks are covered under the 2nd Schedule of the Reserve Bank of India Act, 1934. To qualify as a scheduled bank, the bank should conform to the following conditions:
A bank that has a paid-up capital of Rs. 5 Lakh and above qualifies for the schedule bank category
A bank requires to satisfy the central bank that its affairs are not carried out in a way that causes harm to the interest of the depositors.
A bank should be a corporation rather than a sole-proprietorship or partnership firm.

Scheduled Commercial Banks in India are **categorised in 5 different groups** according to their ownership / nature of operation.

These bank groups are: (i) State Bank of India
(ii) Nationalised Banks,
(iii) Regional Rural Banks,
(iv) Foreign Banks
(v) Other Indian Scheduled Commercial Banks (in the private sector).

Every Scheduled Banks enjoys following facilities;

1. Scheduled Banks are eligible for obtaining debts/loans on bank rate from the RBI.
2. Scheduled Banks automatically acquires the membership of the clearing house.
3. Scheduled Banks get the facility of the rediscount of first class exchange bills from RBI. This facility is provided by the RBI only if the Scheduled Banks deposit average daily cash with the RBI which is decided by the RBI itself and presents the recurring statements under the provision of RBI Act, 1934 and Banking Regulation Act, 1949.

Definition of Non- Scheduled Banks:

The banks which are **not included in the list of the scheduled banks** are called the Non-Scheduled Banks. At present there are only 3 such banks in the country.
Non- Scheduled Banks have to follow CRR conditions. These banks **can have CRR fund with themselves** as no compulsion has been made by the RBI to deposit it in the RBI.
Non- Scheduled Banks are also not eligible for having loans from the **RBI** for day to day activities but under the emergency conditions RBI can grant loan to them.
Example: All local area banks are called the Non-scheduled banks.

COMMERCIAL BANKS are regulated and managed under the Banking Regulation Act, 1949. These are profit making banks based on their business model. Granting loans to the government, general public, and corporate and accepting deposits counts as the primary function.
There are four types of commercial banks:

Public Sector Banks
Private Sector Banks
Foreign Banks
Regional Rural Banks

Public sector banks
These are the nationalised banks and account for more than 75 per cent of the total banking business in the country. Majority of stakes in these banks are held by the government. In terms of volume, SBI is the largest public sector bank in India and after its merger with its 5 associate banks (as on 1st April 2017) it has got a position among the top 50 banks of the world.
There are a total of 20 nationalised banks in india

Private Sector Banks

These include banks in which major stake or equity is held by private shareholders. All the banking rules and regulations laid down by the RBI will be applicable on private sector banks as well.

Foreign Banks

A foreign bank is one that has its headquarters in a foreign country but operates in India as a private entity. These banks are under the obligation to follow the regulations of its home country as well as the country in which they are operating

Regional Rural Banks

These are also scheduled commercial banks but they are established with the main objective of providing credit to weaker sections of the society like agricultural labourers, marginal farmers and small enterprises. They usually operate at regional levels in different states of India and may have branches in selected urban areas as well. Other important functions carried out by RRBs include-

Providing banking and financial services to rural and semi-urban areas

Government operations like disbursement of wages of MGNREGA workers, distribution of pensions, etc.

Para-Banking facilities like debit cards, credit cards and locker facilities

COOPERATIVE BANKS

Run by the elected members of a managing committee and registered under the Cooperative Societies Act, 1912 are the cooperative banks. These are no-profit, no-loss banks and mainly serve entrepreneurs, industries, small businesses, and self-employment.
cooperative banks can be of two types :

Urban Co-operative Banks refer to the primary cooperative banks located in urban and semi-urban areas. These banks essentially lent to small borrowers and businesses centered around communities, localities work place groups.
According to the RBI, on 31st March, 2003 there were 2,104 Urban Co-operative Banks of which 56 were scheduled banks. About 79% of these are located in five states, – Andhra Pradesh, Gujarat, Karnataka, Maharashtra and Tamil Nadu.

A State Cooperative Bank is a federation of the central cooperative bank which acts as custodian of the cooperative banking structure in the State.

SMALL FINANCE BANKS

These banks cater to a niche segment in the society and help with financial inclusion of sections which are not taken care of by other leading banks. They look after micro industries, unorganized sector, small farmers etc. RBI and FEMA are the governing bodies of these banks

PAYMENTS BANK

This is a new and upcoming model of banking in India. It has been conceptualized and signed-off by RBI with restricted operations. Maximum of Rs. One Lakh is acceptable per customer by these banks. Like other banks, they also offer para-banking services like ATM cards, Debit- Credit cards, net-banking, mobile banking etc.

Sources :

https://www.jagranjosh.com

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