

Chapter – 11

Types of Banks

I. Choose the Correct Answer

Question 1.

Which bank is not a Industrial Bank?

- (a) ICICI
- (b) HSBC
- (c) SIDBI
- (d) IDBI

Answer:

- (b) HSBC

Question 2.

The Local Area Banks are promoting

- (a) Rural savings
- (b) Business savings
- (c) Industrial development
- (d) Agricultural development

Answer:

- (a) Rural savings

Question 3.

Foreign banks are begun their operation since

- (a) 1978
- (b) 1979
- (c) 1980
- (d) 1981

Answer:

- (c) 1980

II. Very Short Answer Questions

Question 1.

Give the meaning of Commercial Banks.

Answer:

Banks which accept deposits from the public and grant loans to traders, individuals, agriculturists, Industries, Transport, etc. in order to earn a profit. They also provide other banking services.

E.g: State Bank of India, Karur Vysa Bank.

Question 2.

What do you mean by Industrial Banks?

Answer:

Huge finance required for investment, expansion, and modernisation of big industries and others is granted by a separate type of banks called development Banks. They are also called industrial banks.

Question 3.

Briefly explain about Correspondent Banks?

Answer:

It is a kind of financial institution which provides services on behalf of other, equal or unequal financial institutions. It facilitates wire transfers, conduct business transactions, accept deposits and gather documents on behalf of another financial institution.

Question 4.

What are Foreign Banks?

Answer:

Banks which have registered office in a foreign country and branches in India are called foreign banks.

III. Short Answer Questions

Question 1.

Write a short note on Local Area Banks. Give two examples.

Answer:

The local Area Bank (LAB) scheme was introduced in August 1996. It is a small private sector bank established in rural and semi-urban areas. Each bank serves two or three adjoining districts only. The main objective of these banks is to mobilise rural savings (accepts deposits) and invest them in the same area.

Among the 227 applications 10 banks were considered for approval and six were given license under section 22 of the Banking Regulation Act, 1949, only three Local Area Banks are functioning now.

E.g: Coastal Local Area Bank, Vijayawada, Andhra Pradesh, Subhadra Local Area Bank Limited, Kolhapur, Maharashtra.

Question 2.

What are the objectives involved in Regional Rural Banks?

Answer:

Their objective is to develop the rural economy and play a supplementary role in cooperative societies. They mobilise deposits from the rural public and provide finance to rural artisans, small entrepreneurs, and farmers and try to avoid their dependency on money lenders. As of 31.3.2016, there were 56 RRBs in India with 14,494 branches. They are regulated and supervised by NABARD.

Question 3.

Mention the purposes of Agricultural and Co-operative banks.

Answer:

All the agriculture and cooperative banks in India are owned by their customers and members who are farmers, small traders, and others. These banks are either urban-based or rural-based. Their main objective is to provide service to its members for rural and agricultural development and not profit earning.

Compared to the commercial banks they offer less variety of services as the bye-laws do not permit all commercial bank activities. National Cooperative Development Corporation (NCDC) concentrates on providing loans and grants to State Governments for financing cooperative societies.

IV. Long Answer Questions

Question 1.

Explain the various types of banks based on the organization with examples.

Answer:

1. Commercial banks:

Banks which accept deposits from the public and grant loans to traders, individuals, agriculture, industries, transport, etc. in order to earn a profit. Their lending is in comparatively small amounts and mostly for the short and medium periods. e.g., State Bank of India

2. Development Banks:

Huge finance required for investment, expansion, and modernisation of big industries and others is granted by a separate type of banks called development Banks. They are also called industrial banks, e.g., IFCI, SIDBI.

3. Cooperative Banks:

All cooperative banks in India are owned by their customers or members who are farmers, small traders, and others. Cooperative banks in India are either urban-based or rural-based. example NAFED, Tamil Nadu State Apex Cooperative Bank – Head Office, Chennai.

4. Foreign Banks:

Banks which have registered office in a foreign country and branches in India are called foreign banks, e.g., Bank of America – USA.

5. Regional Rural Banks (RRBs):

The RRBs were formed under the Regional Rural Bank Act 1976, jointly by the Central Government, State Government, and a sponsor bank, for example, Pandian Grama Bank.

Question 2.

Explain the types of banks based on ownership patterns.

Answer:

Any bank in which not less than 51 percent of shares are owned by the Government is called Government banks or public sector commercial banks (Total 21). All nationalized banks (19 banks, in 2017), SBI and IDBI Ltd. are public sector commercial banks. All of them are joint-stock company type banks. E.g.: SIDBI, EXIM bank, etc. All banking companies owned by private people are called private sector commercial banks.

In 1969, there were 14 private banks which were concentrated in cities and towns. Their objective is to earn more profits. The government paid the share capital of those banks to the private owners and took over as Government banks. This is called the nationalization of banks. There are 19 nationalized banks now:

Examples:

- Nationalised Banks: Indian bank, Indian Overseas Bank, etc.
- Public Sector Banks: State Bank of India, IDBI Bank Ltd., etc.
- Private Sector Banks: Lakshmi Vila Bank, Karur Vysya Bank, etc.