

# CLASS-1



9

## Financial Institutions and Services



# Reserve Bank of India





**PLAY**

BIJU K K, GHS TUVVUR, MALAPPURAM

# Reserve Bank of India

- The Reserve Bank of India is the apex bank of India.
- It was established in 1935.
- Its headquarters is in Mumbai.

# Functions of Reserve Bank of India

- Printing of currency.
- Controlling credit.
- Banker to government.
- Banker's bank.

BIJU K K, GHS TUVVUR, MALAPPURAM

# How does the Reserve Bank print notes?

**PLAY**

**-All currencies except the one rupee note are printed by the Reserve Bank of India.**

**PLAY**

**-The one rupee note and its subsidiary coins are issued by the Central Finance Department.**

**-The gold or foreign exchange reserves which hold the fixed value of the note hold as security.**

# Specify how the Reserve Bank controls credit

- Control of credit is one of the main functions of the Reserve Bank.
- This is made possible by bringing about changes in the rate of interest.
- As rate of interest increases, volume of loans Decreases.
- When interest rates fall, the amount of debt increases.
- The Reserve Bank of India increases the money supply in Indian economy through the distribution of printed currency and through credit creation.

# How does the Reserve Bank of India act as a Banker to government?

**-Another function of the Reserve Bank of India is to serve as the banker to the central and state governments.**

**-As a banker to the government, the Reserve Bank of India accepts deposits from the government, sanctions loans and renders other banking services to them.**

**-The Reserve Bank of India does not charge any fees for these services.**



# How does the Reserve Bank of India act as a Banker's bank?

- The Reserve Bank is the apex bank of all banks.
- To advise and assist all banks in their operations is a function of the Reserve Bank.
- It acts as a last resort to all banks in their financial matters.

# **Why Reserve Bank of India is known as apex bank bank in India**

**-The Reserve Bank controls all other banks.**

**-It controls and gives the necessary directions and advices to the financial institutions in the country**

**-So Reserve Bank of India is known as apex bank bank in India**

BIJU K K, GHS TUVVUR, MALAPPURAM

# Financial institutions

**-Financial institutions are those institutions where financial transactions like deposits, loans etc. take place.**

# Financial institutions

**Banks**

**Non banking financial institutions**

**Commercial banks**

**Cooperative banks**

**Development banks**

**Specialised banks**

**Mutual fund institutions**

**Insurance companies**

**Non banking financial companies**

# Banks

- Banks are institutions that accept deposits from the public and grant loans to the needy subject to conditions.
- They operate on the basis of the general guidelines and conditions set by the Reserve Bank of India.
- The bank pays interest on deposits from individuals, institutions and the government.
- Bank levies interest on loans to individuals, institutions and the government.
- The rate of interest on loans will be higher than the rate of interest given for deposits.
- The difference between these interests is the main revenue of the banks.



# Growth of banks in India

- The Bank of Hindustan established in 1770 is India's first modern bank.
- The growth of the banking sector since then can be divided into three phases.

# The first phase

**-The first phase stretches from 1770 to the nationalisation of banks in 1969.**

**-In this phase, the presidency banks, (Bank of Bengal, Bank of Bombay, and Bank of Madras) were established by the British East India Company.**

**-The operation and the growth of banks were slow during this phase.**

# second phase

- The second phase stretching from 1969 to 1990, witnessed a speedy development of banks.
- The view that banks should operate with the aim of social progress led to the nationalisation of 14 banks in 1969 and six banks in 1980.
- In 1993, the nationalised bank, New Bank of India was merged with the Punjab National Bank.
- As a result, there are only 19 nationalised banks in India.

# Third phase.

**-In the third phase, stretching from 1991 onwards, banks started rendering services, other than their basic functions.**

**-There were several banking reforms which helped in quick and time saving services, ease of procedure, etc.**

**-Introduction of Automated Teller Machines (ATM), credit card, phone banking, net banking, core banking, etc. are the results of the third phase of development.**

**-The private banks which received license during this period introduced new and innovative functions at a much quicker pace.**

**-Such banks are known as new generation banks.**

**-The banking sector has undergone many changes by merging public sector banks.**

**-State Bank of Travancore, State Bank of Hyderabad, State Bank of Mysore, State Bank of Patiala and Bhartiya Mahila Bank merged with State Bank of India on April 1, 2017.**



**ALL THE BEST**

**BY**

**BIJU KK,**

**GHSS TUVVUR, MALAPPURAM**

**9895695437, 80755142478**

**BIJU K K, GHS TUVVUR, MALAPPURAM**