

QB365 Question Bank Software Study Materials

Types of Banks Important 2,3 & 5 Marks Questions With Answers (Book Back and Creative)

11th Standard

Commerce

Total Marks : 75

2 Marks

10 x 2 = 20

1) Give the meaning of Commercial banks.

Answer : Banks which accept deposits from the public and grant loans to traders, individuals, agriculture, industries, transport, etc. in order to earn profit are called commercial banks.

2) What do you mean by Industrial Development Banks?

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

3) What are Foreign banks?

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

4) Give the example for private sector banks.

Answer : (i) Karur Vysia bank
(ii) Lakshmi Vilas bank
(iii) Kodak Mahindra bank

5) What do you mean by nationalization of banks? Give example

Answer : Government paid the share capital of the banks to the private owners and took over as a government banks. This is called as nationalization of banks. E.g: New Bank of India merged with Punjab National Bank.

6) What do you mean by Cooperative banks?

Answer : All cooperative banks in india are owned by its customers or members who are farmers, small traders and others. Cooperative banks in india are either urban based or rural based.

7) Give the examples of Local Area Banks.

Answer : The examples of Local Area Banks are;
(i) Coastal Local Area Bank, Vijayawada, Andhra Pradesh.
(ii) Krishna Bhima Smruddhi Local Area Bank, Mahabubnagar, Telangana.
(iii) Subhadra Local Area Bank Limited, Kolhapur, Maharashtra.

8) What is small finance bank?

Answer : Small Finance Banks (SFBs) are private sector banks set up in unbanked and underbanked regions of the country to achieve financial inclusion.

9) What is scheduled bank?

Answer : All banks which satisfied the norms and included in the Second Schedule to the RBI Act, 1934 are called scheduled banks. Such banks are given financial accommodation and remittance facilities at concessional rates by the RBI.

10) Write two example of payment banks.

Answer : i. Airtel Payment Bank Ltd.
ii. Paytm Payment Bank Ltd.

3 Marks

10 x 3 = 30

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

Answer : i. Local Area Bank (LAB) scheme was introduced by the RBI in August 1996.

ii. LABs are small private sector banks established in rural and semi-urban areas.

iii. Each bank serves two or three adjoining districts only.

iv. Examples: Coastal Local Area Bank, Vijayawada, Andhra Pradesh

12) What are the objectives involved in Regional Rural banks?

Answer : 1. The objective of RRB is to develop rural economy and play supplementary role to cooperative societies.

2. 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.

3. As on 31.3.2016, there were 56 RRBs in India with 14,494 branches.

4. They are regulated and supervised by NABARD.

13) Mention the purposes of Agricultural and Cooperative banks.

Answer : i. The purpose of Agricultural and Co-operative banks is providing service to its members for rural and agricultural development and not profit earning.

ii. They are set up in towns and villages rather than cities.

iii. Compared to the commercial banks they offer less variety of services as the bye laws do not permit all commercial bank activities.

14) 1. What are the classification of banks ?

Answer : Banks can be classified as follows:

A) Based on the functions of banks

B) Based on the status given by the RBI

C) Based on the ownership pattern

A) Based on the functions of banks ;

1) Central Bank

2) Commercial Banks

3) Development Banks

4) Co-operative Banks

5) Foreign Banks

6) Regional Rural Banks

7) Specialised Banks

8) Local Area Banks

9) Small Finance Banks

10) Payment Banks

11) Multilateral Development Banks

B) Based on status given by the RBI:

1) Scheduled Banks

2) Non Scheduled Banks

C) Based on the ownership Pattern

1) Private Sector Banks

2) Public Sector Banks

3) Co-operative Banks

15) What is the meaning of Scheduled Banks.

Answer : All the banks which satisfied the norms and included in the second schedule to the RBI Act, 1934 are called scheduled banks.

16) Write a note on Money lenders.

Answer : An individual as well as institution lend money in rural and urban areas.

Certain community based businessmen provided loans for interest in different parts of India.

The reasons for their indispensable existence are:

i) They disburse loan at doorstep at any time of the day with or without security.

ii) They provide the required amount and at the required time.

iii) Very less documentation and procedures.

iv) Banks are not willing to advance loans to farmers or labourers with less income levels.

17) Write a note on Nidhi Companies.

Answer : Nidhi companies promote thrift and savings habit among members and they are registered under Companies Act, 2013. Only Nidhi companies fulfilling certain norms are registered and regulated by the RBI. Others are not regulated.

18) Describe the Multilateral Development Bank.

Answer : 1. A Multilateral Development Bank is formed by the Governments of a group of countries.
2. The member countries consist of developed donor countries and borrower countries.
3. International Bank for Reconstruction and Development, Asian Development Bank, African Development Bank, and European Investment Bank are some of the MOBs

19) Write notes on co-operative bank.

Answer : (i) All cooperative banks in India are owned by its customers or members who are farmers, small traders and others.
(ii) Cooperative banks in India are either urban based or rural based. Rural cooperative banking structure in India has three-tier structure for short-term loans and two tier structure for long-term loans (refer chart).
(iii) For both these structures the apex body is National Bank for Agricultural and Rural Development - NABARD.

20) Write notes on scheduled and Non-Scheduled bank.

Answer : (i) All banks which satisfied the norms and included in the Second Schedule to the RBI Act, 1934 are called scheduled banks
(ii) Such banks are given financial accommodation and remittance facilities at concessional rates by the RBI.
(iii) There is no non-scheduled commercial bank (private sector, public sector and foreign banks) in India.
(iv) There are five Urban Cooperative Banks and three Local Area Banks which function as non-scheduled banks in India.
(v) Small Finance Banks and Payments Banks have not been given licenses under section 22 of the Banking Regulation Act, 1949.

5 Marks

5 x 5 = 25

21) Explain the various types of banks based on functions. (any 5)

Answer : Based on the functions of banks:

a) Central Bank:

1. RBI was the Central Bank of India. The functions of the RBI
2. RBI regulates and supervises the whole banking system in the country.
3. It controls the credit in the country
4. RBI has the sole right of note issue.
5. It acts as the banker for the government.
6. It acts as bankers bank.

b) Commercial Banks:

1. Banks which accept deposits from the public and grant loans to traders, individuals, agriculture, industries, transport, etc. in order to earn profit.
2. Their lending is in comparatively small amounts and mostly for short and medium period.
3. They also provide other services like remittance of funds, safe keeping of valuables, collection of cheques, issue of letters of credit, etc.

Examples:

- i. State Bank of India
- ii. Karur Vysa Bank
- iii. Standard Chartered Bank

c) Development Banks:

1. Huge finance required for investment, expansion and modernisation of big industries and others are granted by a separate type of banks called development Banks.
2. They are also called industrial banks. The objective of development banks is not profit.
3. Their aim is to develop the country and create employment opportunities. Finance is provided by them for medium and long terms ranging from five to twenty years.
4. Development banks do not accept deposits from the public.

Examples:

Industrial Finance Corporation of India - IFCI

Small Industries Development Bank of India -SIDBI

d) Cooperative Banks:

All cooperative banks in India are owned by its customers or members who are farmers, small traders and others.

Cooperative banks in India are either urban based or rural based.

Rural cooperative banking structure in India has three tier structure for short term loans and two tier structure for long term loans (refer chart).

For both these structures the apex body is National Bank for Agricultural and Rural Development - NABARD.

Examples:

- i. National Agricultural Cooperative Marketing Federation of India Ltd. (NAFED) was set up in 1958 and registered under the Multi State Co-operative Societies Act.
- ii. Tamil Nadu State Apex Cooperative Bank - Head Office, Chennai.
- iii. Madurai District Central Cooperative Bank Ltd.
- iv. Batlagundu Cooperative Urban Bank Ltd. Dindigul District.

e) Foreign Banks:

1. Banks which have registered office in a foreign country and branches in India are called foreign banks.
2. These banks open their offices in big cities and port towns only. Mostly they serve the interests of the multinational companies, employees and other business institutions.
3. Their profitability is higher than Indian banks. In 2017, there were 42 Foreign Banks in India and all of them were scheduled banks.
4. They have to oblige both their home country banking regulations and the RBI regulations.

Examples:

- i. Bank of America - The USA
- ii. Barclays Bank- The UK
- iii. Deutsche Bank - West Germany

f) Regional Rural Banks - RRBs:

1. The RRBs were formed under the Regional Rural Bank Act 1976, jointly by the Central Government, State Government, and a sponsor bank.
2. Their share capital is contributed by these sponsors in the ratio of 50:15:35.
3. They are established as low cost institutions in rural areas.
4. Their objective is to develop rural economy and play supplementary role to cooperative societies.

Examples:

- i. Pandian Grama Bank, Tamil Nadu
- ii. Pallavan Grama Bank, Tamil Nadu

g) Specialised Banks:

1. Some banks are created for special purposes by the Government.
2. Export and Import Bank of India was set up through Export-Import Bank of India Act, 1981.
3. Its main objective is to facilitate international trade of Indian businessmen.
4. EXIM Bank provides finance for import of technology export product development, pre-shipment and post-shipment and overseas investment.

Example

- i. Export - Import Bank of India (EXIM Bank)

h) Local Area Banks:

1. Local Area Bank (LAB) scheme was introduced by the RBI in August 1996.
2. LABs are small private sector banks established in rural and semi-urban areas.
3. Each bank serves two or three adjoining districts only.
4. Their main objective is to mobilise rural savings (accept deposits) and invest them in the same areas.

Examples:

- i. Coastal Local Area Bank, Vijayawada, Andhra Pradesh.
- ii. Krishna Bhima Smruddhi Local Area Bank, Mahabubnagar, Andhra Pradesh.
- iii. Subhadra Local Area Bank Limited, Kolhapur, Maharashtra.

i) Small Finance Banks:

1. Small Finance Banks (SFBs) are private sector banks set up in unbanked and underbanked regions of the country to achieve financial inclusion.
2. The objectives are; mobilising rural savings (accepting deposits) and providing credit to:
 - i. small and marginal farmers
 - ii. to micro and small industries and
 - ii. other unorganised sector entities.

j) Payment Bank:

1. Payment banks are formed to widen the spread of payment and financial services to small businesses, low-income households, and migrant labourers.
2. These banks should be fully networked from the beginning.
3. They offer doorstep banking payment for a small fees prescribed on the basis of the amount.

Examples:

- i. Airtel Payment Bank Limited
- ii. Paytm Payment Bank Limited and
- iii. India Post Payment Bank Limited -IPPBs (Public Sector Bank).

k) Multilateral Development Banks - MDBs:

A Multilateral Development Bank is formed by the Governments of a group of countries. The member countries consist of developed donor countries and borrower countries. International Bank for Reconstruction and Development, Asian Development Bank, African Development Bank, and European Investment Bank are some of the MDBs.

- 22) Explain the types of banks based on ownership pattern.

Answer : Based on the Ownership Pattern:

Any bank in which not less than 51 percent of shares are owned by the Government are 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. There are corporation type banks. Each corporation type bank is established by a separate Act of Parliament and is fully owned by Government of India.

Examples: IFCI, SIDBI, EXIM Bank, etc.

All banking companies owned by private people are called private sector commercial banks. All cooperative banks are owned by its members from the public. In 1969, there were 14 private banks. They were concentrated in cities and towns. Their objective was to earn more profits. In order to channelize the funds with these commercial banks towards national priorities and to develop agricultural and rural sector, nationalization of banks was undertaken. Government paid the share capital of those banks to the private owners and took over as Government banks. This is called nationalization of banks. 6 more banks were nationalised in 1980. New Bank of India one of the nationalised bank merged with Punjab National Bank in 1980 and today there only 19 nationalised banks (2017).

Examples:

1. Nationalised banks: Indian Bank, Indian Overseas Bank, Oriental Bank of Commerce.

2. Public sector banks: State Bank of India, IDBI Bank Ltd. and all nationalised banks.

3. Private sector banks: Lakshmi Vila Bank, Karur Vysya Bank, Kotak Mahindra bank.

Note Bharatiya Mahila Bank established on 19, November 2013 to serve exclusively women members of the public was merged with SBI on 31 March, 2017.

23) Write a note on small Finance Banks

Answer : Small Finance Banks (SFBs) are private sector banks set up in unbanked and under banked regions of the country to achieve financial inclusion. E.g: Ujjivan SFB Limited, Bengaluru, Karnataka. The objectives of Small Finance Banks are:

i) Mobilising rural savings. (accepting deposits) and

ii) Providing credit to small and marginal farmers, to micro and small industries and other unorganised sector entities.

24) What do you mean by Payment Bank?

Answer : Payment Banks are formed to widen the spread of payment and financial services to small businesses, low-income households, and migrant labourers. These banks should be fully networked from the beginning. They offer doorstep banking payment for a small fee prescribed on the basis of amount. They issue ATM/Debit cards, Internet banking and third party fund transfers. But they can't lend money and issue credit cards. In August 2015, the RBI gave 'in principle' licenses to Payment Banks.

25) Is there India need large sized banks?

Answer : Yes. India is in need of large sized banks. Because Industrial and Commercial bank of China is the first ranked bank in the world with an asset size of USD 3,893.23 billion. Punjab National Bank, the largest nationalised bank in India has an asset base of USD 100 billion and its rank is 717. SBI a public sector bank merged with its five associates and Bharatiya Mahila Bank with effect from April 1, 2017 and after merger its asset size is USD 573 billion. This will boost it among the top 50 banks (SBI earlier rank 272). National Bank of Australia has an asset base of USD 578.46 billion and its rank is 49. To compete with large sized banks in the world India needs more large sized banks. Therefore merger of many nationalised banks is under consideration.