

CLASS: VI-VIII FINANCIAL LITERACY

Banking

Introduction to Banking.

As per Banking Regulation Act, 1949, bank is an institution which accepts deposits and gives loan in return for a rate of interest.

Types of Bank:-

1. Commercial Banks :-These are regulated by Banking Regulation Act 1949 and mainly deals in accepting deposits and giving loans.

2. Regional Rural Banks

Regional rural banks were set up to help developing the rural economy by providing credit and other facilities, particularly to small and marginal farmers, agriculture labourers, artisans and small entrepreneur. Being local-level institution, RRBs were assigned a critical role in the delivery of agriculture and rural credit.

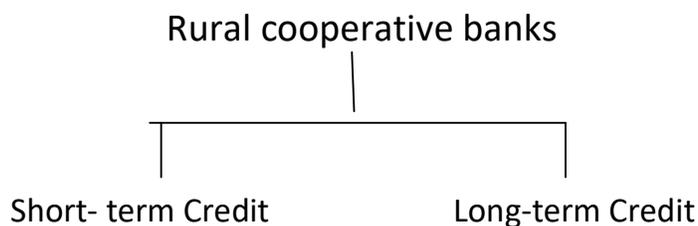
3. Industrial Banks: These banks are established to provide financial help to industries. These banks mainly provide long term financial help to industrial units.

4. Foreign Exchange Banks: These banks mainly do the financial functions pertaining to foreign trade.

5. Co-operative Banks:-

Co-operative banks are further classified into Rural co-operative Banks and Urban Cooperatives Banks

i) **Rural cooperative banks-**



The short term co-operative structure is a three-tier structure with

- a) State co-operative Banks (STCBs) at the apex (state level).
- b) District Central Co-operative (DCCBs) at the intermediate (District level).
- c) Primary Agriculture Credit Societies (PACS) at the ground(village level)

The long term co-operative structure has two-tier structure

- a) State co-operative Agriculture and Rural Development Banks(SCARDBS) at the apex level
- b) Primary co-operative Agriculture and Rural Development Bank(PCARDBS) at the district level.

ii) **Urban Co-operative Banks:**

Providing banking services to the middle and lower income group of society in urban and semi-urban area.

4. Reserve Bank of India

The central bank is the apex institution, which control, regulate and supervises the monetary and credit system of the country.

Important functions of the Central Bank :

The management and issue of currency notes

Banker to the government

Banker to the Banks

Custodian of the Nation's reserve of international currency.

Lenders of last resort

Types of Bank Account:- Traditionally banks in India have four types of deposit accounts :

1. Current accounts:- Current account is mainly opened to run a business such as proprietorship ,partnership firms, public and private companies etc. that they have a large number of daily banking transactions ,i.e. receipts and payments.

It is **non-interest bearing** bank account and need a higher minimum balance to be maintained as compared to the savings accounts. There is no restriction on the number and amount of deposits and withdrawals made.

2. Saving Bank Accounts: - Saving Banking is one of the most popular deposit accounts for individuals. Saving accounts are opened to encourage the people to save money and deposit their savings. Interest is paid on saving account which is nominal. These accounts can be opened with Single or Joint names. The savings accounts holder is allowed to withdraw money from the account as and when required. These accounts provide cheque facilities. Most of the banks have rules for the minimum balance requirement for these accounts.
 3. Recurring Deposit Accounts:- It is popularly known as RD accounts. Recurring deposit account is opened by those who want to save regularly for a certain period of time and earn a higher interest rate than saving accounts. In recurring deposit account certain fixed amount is accepted every month for a specified period and the total amount is repaid with interest at the end of the particular fixed period. These are suitable for people who do not have large amount of savings, but are ready to save small amount every month. No withdrawals are allowed before the maturity period.
 4. Fixed Deposit Account:- These are popularly known as FD accounts. Under fixed deposit account money is deposited for a fixed period say six months, one year or five years. The money deposited in this account cannot be withdrawn before the expiry of the fixed period. The rate of interest paid for fixed deposit varies according to the amount, period and differ from bank to bank.
- According Reserve Bank of India rules, **Minors** above the age of 10 years are allowed to open and operate saving bank accounts independently. A Minor of any age can also open a savings bank or fixed deposit or recurring deposit account through his/her natural or legally appointed guardian.

Know the eligibility criteria for opening bank account.

Opening of Account

- For opening a bank account, you need the following.
- Address proof: either telephone bill, ration card, driving license, voter ID card, passport etc.
- Identity proof: Either PAN card, Passport, Voter card or Aadhar card.
- Photograph 2

- Minimum Balance: Minimum Balance varies from Bank to Bank depending upon the type of accounts. Bank also offer No-Frills or Zero balance account where there is no requirement of minimum Balance.
- In the form, photo of the individual who is opening the account needs to be affixed in the space provided for identification.
- Introduction by an existing Account Holder is required when you are not complying with KYC (know your customer) norms.
