



# **SNS College of Technology**

**Coimbatore - 35**

19BAZ782 – Analytics for Everyone

**23BAE701-BANKING AND FINANCIAL SERVICES**

**Unit I – INTRODUCTION TO INDIAN BANKING  
SYSTEM**

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# Introduction to Indian Banking System

The Indian banking system plays a crucial role in the nation's economic growth. It provides financial services to individuals, businesses, and the government.



# Structure of Indian Banking System

## Commercial Banks

Commercial banks are the largest segment of the Indian banking system. They provide a wide range of services to individuals and businesses, including deposits, loans, and credit cards.

## Cooperative Banks

Cooperative banks are owned and operated by their members, typically farmers, small businesses, or rural communities. They play a crucial role in providing financial services in rural areas.

## Specialized Banks

Specialized banks focus on specific sectors, such as agriculture, industry, or export-import. They offer tailored financial services to meet the needs of these sectors.



# Types of Banks in India

1

## Public Sector Banks (PSBs)

PSBs are owned and controlled by the government. They play a significant role in providing financial services to the population.

2

## Private Sector Banks

Private sector banks are owned and operated by private individuals or companies. They offer a wide range of financial products and services.

3

## Foreign Banks

Foreign banks operate in India with branches or subsidiaries. They provide banking services to multinational companies and high-net-worth individuals.

4

## Regional Rural Banks (RRBs)

RRBs are sponsored by commercial banks and focus on providing financial services to rural areas.





# Functions of Banks



## Accepting Deposits

Banks accept deposits from individuals and businesses, offering various deposit accounts, such as savings accounts, current accounts, and fixed deposits.

## Providing Loans

Banks provide loans to individuals and businesses for various purposes, such as home loans, business loans, and personal loans.

## Facilitating Payments

Banks facilitate payments through various channels, including electronic funds transfers, checks, and debit/credit cards.

## Offering Other Services

Banks offer other financial services, such as insurance, investment banking, and wealth management.



# Sources of Bank

## Funds

1

### Deposits

Deposits are the primary source of funds for banks. These include savings accounts, current accounts, and fixed deposits.

2

### Borrowing

Banks borrow funds from other financial institutions, such as the Reserve Bank of India (RBI), and from the interbank market.

3

### Issuing Bonds

Banks raise funds by issuing bonds to investors, which are debt securities that pay interest.





# Employment of Bank Funds

1

## Loans

Banks use a significant portion of their funds to provide loans to individuals, businesses, and the government.

2

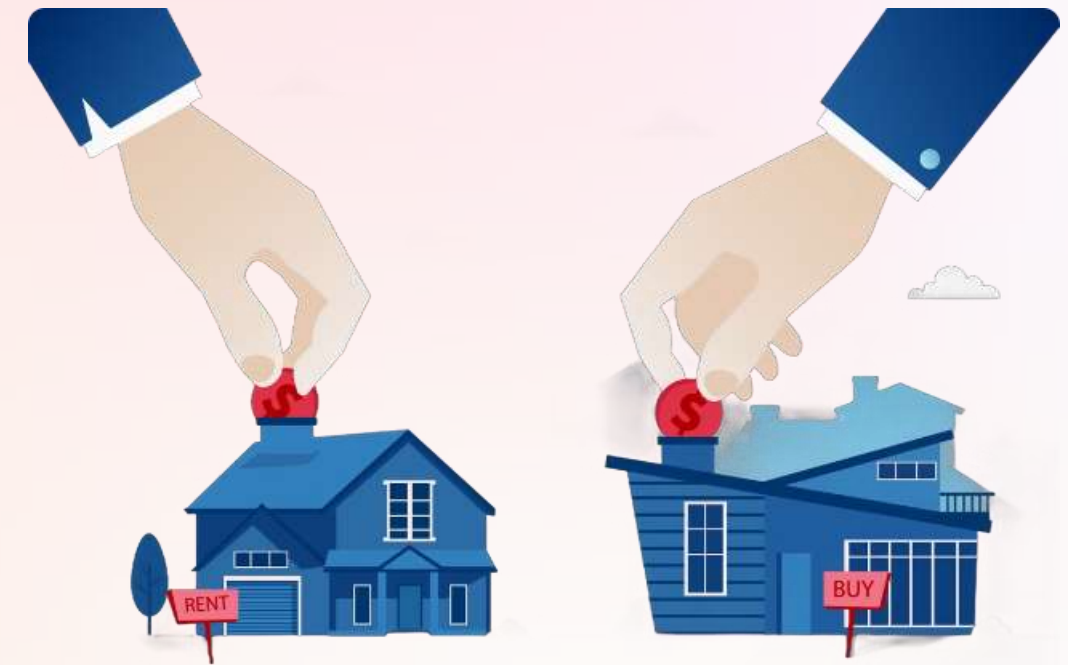
## Investments

Banks invest a portion of their funds in government securities, corporate bonds, and other financial instruments.

3

## Cash Reserves

Banks maintain a certain percentage of their deposits as cash reserves to meet customer withdrawals and regulatory requirements.







# CASE STUDY – SOURCE OF FUND

1

## BACKGROUND

Mid-sized commercial bank Q3 2023 liquidity crunch  
Factors: Economic downturn, negative media, regulatory changes.

2

## PROBLEM

Severe fund shortage  
Inability to meet obligations (withdrawals, cheques)  
Risk of bank run.

3

## SOLUTION

Banks maintain a certain percentage of their deposits as cash reserves to meet customer withdrawals and regulatory requirements.





# Reserve Bank of India and its

## Role

### Financial Stability

The RBI promotes financial stability by regulating the banking system and ensuring the safety and soundness of banks.



### Monetary Policy

The RBI sets and implements monetary policy to control the supply of money and credit in the economy, influencing interest rates and inflation.



### Economic Growth

The RBI supports economic growth by providing liquidity to banks and promoting financial inclusion.



### Financial Inclusion

The RBI promotes financial inclusion by expanding access to banking services to underserved populations, particularly in rural areas.





# Regulatory Framework of RBI

Banking Regulation Act, 1949

Provides a comprehensive framework for regulating commercial banks, including licensing, capital adequacy, and prudential norms.

Reserve Bank of India Act, 1934

Establishes the RBI as the central bank of India and defines its powers and functions.

Payment and Settlement Systems Act, 2007

Regulates payment systems and ensures the safety and efficiency of electronic payments.

Foreign Exchange Management Act, 1999

Regulates foreign exchange transactions and ensures the stability of the Indian rupee.



# Summary

- ❑ Structure of Indian Banking System
- ❑ Types of Banks in India
- ❑ Functions of Banks
- ❑ Sources of Bank Funds
- ❑ Employment of Bank Funds
- ❑ Reserve Bank of India and its Role



**THANK YOU....!!**

