

BANKING AND FINANCE

- **Bank of Hindustan** was the first bank, established in India in 1770.
- First bank with limited liability managed by an Indian Board was the **Oudh Commercial Bank** in 1881.
- First purely Indian bank was **Punjab National Bank** (1894).

Nationalisation of Bank

- A step towards social banking was taken with the nationalisation of 14 commercial banks on 19th July, 1969. Six more banks were nationalised in 1980, the total number of public sector banks being 27.
- Later on, in the year 1993, the government merged New Bank of India with Punjab National Bank
- **Bhartiya Mahila Bank**, India's first bank exclusively for women, headquartered in New Delhi was Inaugurated on 19th November, 2013. It was merged with SBI in 2017.
- **IDBI Bank** is an Indian financial service company, formerly known as Industries Development Bank of India, headquartered in Mumbai, India
- In September 2004, the RBI incorporated IDBI as a scheduled bank under the RBI Act, 1934.
- In 2019, Oriental Bank of Commerce and United Bank merged with Punjab National Bank. Syndicate Bank was merged with Canara Bank while Union Bank of India, Andhra Bank and Corporation Bank got merged. Similarly Indian Bank got merged with Allahabad Bank.

Reserve Bank of India (RBI)

RBI was established in 1935, under RBI Act, 1934. RBI is the Central Bank of India. The main purpose of creating RBI was to regulate money supply and credit in the country. RBI was nationalised in 1949 and its first Indian Governor was **CD** Deshmukh. Its headquarter is in Mumbai.

Functions of the RBI

- Monetary policy, regulation and supervision of the banking and non-banking financial institutions.
- Debt and cash management for Centre and State Governments.
- Foreign exchange management, current and capital account management.
- Management of foreign exchange reserves.

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- Currency management; oversight of the payment and settlement systems.
- Development role.
- Research and statistics.

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The RBI and Credit Control

Quantitative Credit Control



It is used to control the volume of credit and indirectly to control the inflationary and deflationary pressures. The quantitative credit control consists of:

- **Bank Rate** It is the rate, at which the RBI gives finance to Commercial Banks.
- **Cash Reserve Ratio (CRR)** Cash that banks deposits with the RBI without any floor rate or ceiling rate
- **Statutory Liquidity Ratio (SLR)** It is the ratio of liquid asset, which all Commercial Banks have to keep in the form of cash, gold and government approved securities with itself.
- **Repo Rate** It is the rate, at which RBI lends short-term money to the banks against securities.
- **Reverse Repo Rate** It is the rate, at which banks park short-term excess liquidity with the RBI. This is always 100 base point, 1% less than Repo rate.

Qualitative/Selective/Direct Credit Control

Qualitative measures are used to make sure that purpose, for which loan is given is not misused. It is done through

- a. credit rationing
- b. regulating loan to consumption etc



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New Bank Licence

In April 2015, Reserve Bank of India provided licence for operation to two new private banks namely Bandhan Financial Services and Infrastructure Development Finance Company (IDFC)

MUDRA Bank

Micro Units Development and Refinance Agency Bank (MUDRA Bank) was launched on 8th April, 2015. Bank set up under SIDBI (Small Industries Development Bank of India). Bank has launched 3 loan instruments

- Shishu—Cover loans upto Rs 50,000 .
- Kishore—Cover loan above Rs 50,000 and upto Rs 5 lakh.
- Tarun—Cover loans above Rs 5 lakh and upto Rs 10 lakh.

Indradhanush Scheme 2015

This is for the banking reforms in India. The 7 key reforms of the Indradhanush Mission includes. appointments de-stressing, capitalisation, empowerment, framework of accountability, governance reforms and bank board bureau.

15th Finance Commission

The 15th Finance Commission was constituted in accordance with the **Article 280** of the Indian Constitution.

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The first finance commission was headed by **KC Neogi** and the 15th Finance Commission was headed by NK Singh.

Stock Exchange of India

- Capital market is the market for long-term funds while the money market is the market for short-term funds.
- Capital market of India is regulated by SEBI (Securities and Exchange Board of India, 1988).
- A Stock Exchange provides services for brokers and traders to trade stocks, bonds, and other securities.
- The Bombay Stock Exchange (BSE) is a stock exchange located on Dalal Street, Mumbai and is the oldest stock exchange in Asia. The BSE has the largest number of listed companies in the world established in 1875.
- The National Stock Exchange (NSE) is the 16th largest stock exchange in the world. It is situated in Mumbai.

Insurance

- Insurance industry includes two sectors, life Insurance and General Insurance.
- LIC was established on 1st September, 1956.
- **Insurance Regulatory and Development Authority of India (IRDAI)** was set-up on 19th April, 2000 to regulate the Insurance Sector IRDA has changed its name to Insurance Regulatory and Development Authority of India in December 2014.