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BANK- PO/CLERK

**IBPS, SBI, RBI, IBPS-RRB, LIC, NABARD &
ALL OTHER BANKING & INSURANCE EXAMS**

Banking Awareness

&

Computer Knowledge

SIERRA
INNOVATIONS
Private Limited

Contents

HISTORY OF BANKS

- The first bank established in India was Bank of Hindustan in 1770.
  - It was established in Kolkata.
  - It was established under European management
- Central Bank of India was established in 1911. And it is the first Indian bank which was wholly owned and managed by Indians.
  - It is called the first truly Swadeshi Bank.
- Allahabad Bank, established in 1865, is the oldest joint Stock Bank in India today.
- The first Indian Bank in the world was Bank of Venice, Italy, in 1117.
- 1806 – Bank of Calcutta (established)

  ↓ (RENAMED)

  1809 – Bank of Bengal

  1840 – Bank of Bombay

  1843 – Bank of Madras

In 1921, the three Banks, Bank of Bengal Bank of Bombay, and Bank of Madras were merged with each other and named as the Imperial Bank of India.

The three banks, Bank of Bengal, Bank of Bombay, and Bank of Madras, were Presidency Banks in India.

- Imperial Bank of India was renamed in 1955 as the State Bank of India.

- On 19th July 1969, 14 Banks were nationalised in India.

→ Central Bank of India (1911, Mumbai)
→ Bank of India (1906, Mumbai)
→ Punjab National Bank (1894, New Delhi)
→ Bank of Baroda (1908, Gujarat)
→ United Commercial Bank (1943, Kolkata)
→ Canara Bank (1906, Bengaluru)
→ Dena Bank (1938, Mumbai)
→ United Bank of India (1950, Kolkata)
→ Syndicate Bank (1925, Karnataka)
→ Allahabad Bank (1865, Kolkata)
→ Indian Bank (1907, Chennai)
→ Bank of Maharashtra (1935, Pune)
→ Indian Overseas Bank (1937, Chennai)
→ Union Bank of India (1919, Mumbai)

- In 1980, six more banks were nationalised in India.

→ Andhra Bank (1923, Hyderabad)

→ Corporation Bank (1906, Mangalore)
→ New Bank of India (1936, New Delhi)
→ Oriented Bank of Commerce (1943, Gurgaon)
→ Punjab and Sindh Bank (1906, New Delhi)
→ Vijaya Bank (1931, Bengaluru)

NOTE → In 1993, New Bank of India was acquired by Punjab National Bank.

Therefore, total no. of nationalised bank increased to 19.

- General Bank of India is the 2nd bank in India that was established in 1786. It was closed in 1791.

- Central Bank of India is the first Public Sector Bank in India to introduce CREDIT CARD.

→ • ATM was first introduced in India in 1987 in Mumbai by HSBC Bank.

- Cheque System was first introduced by Bengal Bank in 1784.

- Saving Account System was first introduced in 1833 by Presidency Bank.

- ICICI Bank is the first Indian bank to provide Internet Banking facility.

- In 1955, State Bank of India was nationalised under the SBI Act, 1955.

→ Seven subsidiaries of SBI were nationalised in 1959.

SEVEN SUBSIDIARIES AND THEIR MERGING :→

1. State Bank of Patiala (1917)
2. State Bank of Hyderabad (1941)
3. State Bank of Travancore
4. State Bank of Bikaner & Jaipur (1963)
5. State Bank of Mysore (1913)
6. State Bank of Saurashtra
7. State Bank of Indore

NOTE → In 2008 State Bank of Saurashtra and in 2010 State Bank of Indore are merged with SBI.

→ Therefore in present there are total 5 subsidiary of SBI.

→ Mumbai is the headquarter of SBI.

→ In 2013 Arundhati Bhattacharya become the first woman Chairperson of SBI.

→ SBI has largest number of mobile application user.

Practice Questions

Q. 1Which among the following are the correct locations of three Presidency Banks during British India

(1) Calcutta, Bombay, Madras (2) Surat, Calcutta, Madras
3) Surat, Madras, Bombay (4) Bombay, Calcutta, Surat
(5) None of these Ans. (1)

Q. 2 Which of the following is the oldest Joint Stock bank of India?

(1) Bank of India (2) Bank of Baroda
(3) Punjab National Bank (4) Allahabad Bank
(5) State Bank of India Ans. (4)

Q. 3In which of the following bank is the commercial bank?

(1) ICICI (2) SBI (3) IDBI
(4) HSBC (5) All of these Ans. (5)

Q. 4First Nationalization of commercial banks was on-

(1) 19th July 1969 (2) 15th April 1980 (3) 14th July 1980
(4) 2nd October 1975 (5) 1st April 1991 Ans. (1)

Q. 5Which of the following public sector banks has the largest number of branches in foreign countries?

(1) Bank of India (2) Bank of Baroda (3) Punjab National Bank
(4) Corporation Bank (5) State Bank of India ans. (5)

Q. 6 In respect of the commercial banks Non Performing Assets are ...

(1) Bank Deposit which are not used in any type of investment

(2) Capital funds which are used in investment

(3) Loan which has lowest interest

(4) Loan which is not recovers interest and principal amount of loan on correct time

(5) Loan which are recover interest and principal amount of loan on correct time ans.(4)

Q.7 Match the list I to list II and choose the correct option from the following

(1) SBI 1. 1982

(2) RRB 2. 1955

(3) SIDBI 3. 1990

(4) IFCI 4. 1975

(5) NABARD 5. 1948

(1) 1 2 3 4 5 (2) 2 4 3 1 5 (3) 2 4 3 5 1 (4) 4 2 3 5 1 (5) 1 3 2 4

Ans(3)

Q.8 In which of the following year lead bank scheme was started?

(A) 1969 (B) 1980 (C) 1991 (D) 1975 (E) 1949

Ans(1)

Q.9 In which year, Government of India nationalised 14 major banks whose national deposits were more than 50 crores.

A. 1947 B. 1955 C. 1966 D. 1969 E. 1959

Ans. (69)

Q.10 In which year, Regional Rural Banks started working in India?

(A)1970 (B)1975

(C)1978 (D)1981 Ans. (B)

Q.11 Original headquarters of RBI were located at ___?

(A)Calcutta (B)Bombay

(C)Madras (D)New Delhi Ans. A

Q. 12 Which among the following was the first bank to open a branch on foreign soil?

(A)Bank of India (B)State Bank of India

(C)Bank of Punjab (D)Allahabad Ans. (A)

Q. 13 Which among the following are the correct locations of three presidency banks during British India?

(A)Calcutta, Madras, Bombay (B)Surat, Calcutta, Madras

(C)Surat, Madras, Bombay (D)Bombay, Calcutta, Ans. (A)

Q. 14 In which year, the nationalization of subsidiary banks of the State Bank of India (SBI) was done?

(A) 1955 (B) 1956 (C) 1959 (D) 1980 Ans(C)

Q. 15 What was the name of State Bank of India (SBI) before it was created by SBI Act?

(A)Imperial Bank of Hindustan (B)Imperial Bank of Bengal

(C)Imperial Bank of Madras (D)Imperial Bank of India
Ans(D)

Q. 16 The liberalisation of Indian banking and regulation was done first on the basis of recommendations of which committee

(A)Narasimham committee (B)A Ashok committee

(C)Saraiya committee (D)Khusro committee Ans. (A)

Q. 17 In which year, the first bank of India "Bank of Hindustan" was established?

(A)1870 (B)1770 (C)1795 (D)1880 Ans. (B)

RESERVE BANK OF INDIA

Origin And History

The Reserve Bank of India is also known as the Nation's Central Bank. It was established on April 1, 1935 in accordance with the provisions of the Reserve Bank of India Act, 1934. The Central office of the Reserve Bank was established in Calcutta but was permanently moved to Mumbai in 1937. Previously, RBI was privately owned and following India's independence on 15 August 1947, RBI was nationalished on 1 january 1949.

FUNCTIONS

RBI is the regulator of entire banking in India.

- **Monetary Authority**

RBI is the monetary authority of India. It is the Sole authority vested with the proper power issue Currency, regulate the supply of Currency and also formulate, implement and monitor the monetary policy.

The Main objective of RBI is maintaining price stability and ensuring adequate flow of Credit to productive sectors.

- **Regulator and Supervisor of the financial system, stability and financial inclusion.**

The Reserve Bank of India prescribes broad para-meters of banking operations. It regulates and supervises the banking sector, Maintains public Confidence in the System, protects depositors interest and provides Cost-effective banking services to the public.

RBI - Monetary policy

Monetary policy refers to the use of instruments under the Control of the Central Bank to regulate the availabitity, cost and use of money and Credit.

GOAL Achieving specific economic objectives such as law and stable inflation and promoting growth.

OBJECTIVES
- ☆ Maintaining price stability.
- ☆ Ensuring adequate flow of Credit to the productive sectors to support economic growth.
- ☆ Maintaining financial stability.

Instruments of RBI Monetary policy

- Quantitative Instruments
  - ↓ Having direct affects on the quantity of mony supply.
- Qualitative Instruments
  - ↓ Impact on the mony supply indirectly.

Quantitative Instruments

1. open Market operations (OMO):

This Method refers to the buying and selling of securities, bills and bands of the government by RBI in the open Market to expand or Contract the ammount of money in the banking system.

when RBI Purchases government securities, liquidity increases and when RBI sells government securities liquidity decreases.

2. Liquidity Adjustment facility (LAF):
It is a tool used by RBI which Consist of daily infusion or absorption of Liquidity on a repurchase basis, through repo (liquidity infection) and reverse repo (Liquidity absorption) auction operations, using government collaterals.

Reporate → The interest rate at which RBI provides loans to Commercial banks by Mortgaging their clated government securities and treasury bills.

Renase reporate → The interest rate at which RBI borrows from Commercial banks.

3. Marginal standing facility (MSF):
It is the loan facility for banks to borrow from the Reserve Bank of India in an emergency when inter-bank liquidity dries up completely.

4. Reserve Ratio (SLR and CRR):
SLR (Statutory Liquidity Ratio):– It is the share of net demands and time liabilities that banks must maintain in safe and Liquid assets, such as, govt. securities, Cash and gold.

CRR (Cash Reserve Ratio) – The Cash Reserve Ratio is the amount of funds that banks are banned to keep with RBI as a Certain percentage of their Net demands and time Liabilities (NDTL) like Money deposits, Money deposited in savings account, demand drafts etc.

5. Bank Rate:
The Bank rate is the rate at which RBI re–

- **Currency Management**

Currency Management is the process of Managing the life cycle of the notes, which includes:-

1) Assessing the printing requirement of various denominations of notes.
2) Placing indents with the note printing presses.
3) Ensuring the quality of Bank notes in circulations by contains supply of clean notes and withdrawal of soiled notes.
4) Maintaining the Currency and Credit System of the Country.

- **Managing foreign Exchange**

RBI Manages the foreign exchange in accordance with the provisions of foreign exchange Management Act, 1999, (FEMA).

It also facilitates external trade and payments and promotes orderly development and Maintenance of foreign exchange market in india.

- **Developmental role**

1. **Banker to Banks** – It Maintains banking account of all Scheduled banks and Governments by carrying out transactions on their behalf as well as providing them banking services.

2. **Banker to the Government** – Performs the Merchant Banking function for the Central and the state governments. It also serves as an agent and advisor to the government.

-discount bills of exchange and government securities hold by Commercial banks. It also signals the medium term stance of Monetary policy. It is also known as discount rate.

Base Rate (BR) - It is the minimum rate of interest that a bank is allowed to chang from its Customers. It is effective from 1 july, 2010.

6) Credit Ceiling - under the Credit ceiling, RBI informs the banks to what extent/or limit. They would be getting Credit. when RBI imposes a credit limit, the banks will get tight in advancing loans to public.

Qualitative instruments

1. Credit rationing - It refers to Control over Credit granted / alloted by Commercial banks. RBI may also make Cumpulsory for the banks to provide certain fractions of their loans to Certain setors such as priority sector lending.

2. Selective Credit Control - It is a tool in the hands of RBI to Restrict bank finance against sensitive Com-modities.

3. Margin requirements - It reflects to the difference between the securities offered and the account bo-rrowed by the banks. RBI can prescribes Margin against Collateral. for instance, lend only 75 rs for 100rs. Values property, Margin requirement being 25%. If RBI raises Margin requirement, Customers will be able to barrowed less.

4) Moral Suasion - It refers to a Method of request, or a Method of advice by the RBI to the Commercial

bank to take Certain Measures as per the trend of the economy.

5) Direct Action- RBI issues Certain guidelines from time to time based on the Current situations in the economy. These guidelines must be strickly followed by the banks. If any bank violates these guidelines, RBI penalizes them. RBI May refuse to rediscount their paper or May give excess Credits to such banks

Important Notes

RBI Governer - shaktikanta Das.

Current polily rates

Policy repo rate - 5.15%

Reverse repo rate - 4.90%.

Marginal standing facility rate - 5.40%.

Bank rate - 5.40%.

Reverse ratio

CRR - 4%.

SLR - 18.75%.

★ Recently RBI reduces the policy repo rate under LAF by 35 basis points i.e. from 5.75% to 5.40%..

★ RBI announces Monetary policy every year in the months of April. This is followed by three quarterly reviews in july, October and january.

Multiple choice questions

1. RBI is the lender of the last resort, what close it mean?
   a) commercial banks give fund to RBI
   b) RBI advances necessary credit against eligible securities
   c) RBI advances money to public whenever there is any emergency.
   d) All of these
   e) None of these.

2. Which act gives control and super visionary power to RBI over commercial banks?
   a) RBI act, 1934
   b)Banking regulation act, 1949
   b) Both a and b
   d)Banking regulation act, 1960
   c) None of these

3. What is the objective of RBI when it does some open market operation transaction?
   a) Liquidity in economy
   b) control inflation
   b) increase borrowing power of banks
   c) Flow of FPI/FDI
   d) increase interest

4. Where was the first headquarters of RBI?
   a) Delhi
   b) Mumbai
   c) calcutta
   b) Goa
   e) Bangalore

5. Which of the following rates signals the RBI's long term outlook on interest rate?
   a) Bank rate
   b)Base rate
   c) Repo rate
   b) interest rate
   e)CRR

6. Which of the following is not the function of RBI?
   a) Regulation and supervisor of the financial system
   b) Managing foreign exchange
   c) opening savings account for general public
   d) issuing currency
   e) Deciding CRR and SLR

7. Which of the following does not helps RBI in controlling inflation?
   a) Increasing bank rates
   b) Increasing reverse ratio requirements
   c) Increasing repo rate
   d) Purchase of securities in open market
   e) None of these

8. Under which qualitative tool, RBI fixes maximum limit to loan and advances that can be made above which the commercial banks cannot exceed?
   a) Rationing of credit b) Moral suasion
   b) Margin requirement d) Loan – value ratio
   f) selective credit control

9. To low bat rising inflation, RBI has to do which of the following?
   a) sell govt. securities b) Increase reserve ratio
   c) Increase banks rates d) None of these
   e) All of these.

10. What is the maximum number of official directors in RBI's control of directors?
   a) One b) Two c) Three
   e) Four e) Five

11. Who appoints the RBI governor?
   a) President b) Prime minister c) Central govt.
   d) Vice president e) None of these

12. One basis point is equal to?
   a) one tenth of a percent b) one hundredth of a percent
   b) one thousandth of a percent
   c) one percent d) one hundred percent

13. The IAF in the facility extended by RBI to the scheduled commercial banks excluding
   a) RRBS b) Private banks c) Nationalized banks
   b) Associate banks of SBI e) All of these