

# Difference Between Scheduled and Non Scheduled Banks

## Scheduled Banks

Scheduled Banks are listed under Clause 42 in the Second Schedule of the RBI Act of 1934. For a bank to qualify as a Scheduled Bank, it must have a total minimum value of paid-up capital and a reserve of INR 5 lacs. Scheduled Bank needs to be a corporation rather than a sole proprietorship or a partnership firm.

Basic characteristics of Scheduled Banks are:

- Access to currency chest facility
- Right to become members of clearing house
- Can receive refinance facility from RBI

## Scheduled Banks in India

Scheduled Banks in India are divided into five types:

- Regional Rural Banks
- Foreign Banks
- Development Banks
- Private sector Banks
- Nationalised Banks

Payment bank, such as Airtel Payments Bank, Fino Payments Bank, India Post Payments Bank, Paytm Payments Bank have been granted Scheduled bank status, recently.

Many scheduled banks operate across India. The most famous bank with the highest business volume is the State Bank of India. Other banks include subsidiaries, an entire array of nationalized banks such as the Bank of India, RRBs (Regional Rural Banks), specified co-operative banks, and some international banks like Citibank, HSBC Holdings, etc. The list also features banks from the private sector like HDFC Bank, Karur Vysya Bank, etc.

## Non Scheduled Banks

Non Scheduled Banks are not listed under the Schedule II of the Reserve Bank of India Act, 1934. The Non Scheduled Banks are not obligated to maintain the average daily balance of Cash Reserve Ratio (CRR) with the central bank at specified rates. They can maintain the CRR by themselves.

The characteristics of Non Scheduled Banks are:

- Have to exhibit compliance to specific guidelines stipulated by RBI
- Reserve capital can be lesser than INR 5 Lakhs
- Interbank financial transactions, and cheque clearing facility is not available

## Non Scheduled Banks in India

There are 11 Non Scheduled State Cooperative Banks and 1500 Non-Scheduled Urban Co-operative Banks as described by RBI.

Non-scheduled banks are few, including Baroda City Co-operative Bank, Bangalore City Co-operative Bank, Phagwara's Capital Local Area Bank Ltd, Kolhapur's Subhadra Local Area Bank Ltd, Mahbubnagar's Krishna Bhima Samruddhi Local Area Bank, etc.

## Difference Between Scheduled and Non Scheduled Banks

The basic Difference Between Scheduled and Non Scheduled Banks lies in their definition. Apart from this, the major differences are discussed below:

Parameters	Scheduled Banks	Non-Scheduled Banks
Loan from RBI	Entitled to loans at lower interest rates along with clearing house membership	Only in emergencies or under abnormal conditions
Cash Reserve Ratio (CRR)	Must maintain an average balance of daily CRR with RBI at stipulated rates	Only within itself
Bank Types	Nationalized, Regional, Rural, Cooperative and other commercial banks	11 Non-Scheduled State Cooperative Banks; 1500 Non-Scheduled Urban Co-operative Banks; 4 local area banks
Refinancing facility	Can raise debt from RBI	Denied
Currency storage facility	Access Granted	Denied

Both bank types need to thrive to propel India's economic growth.