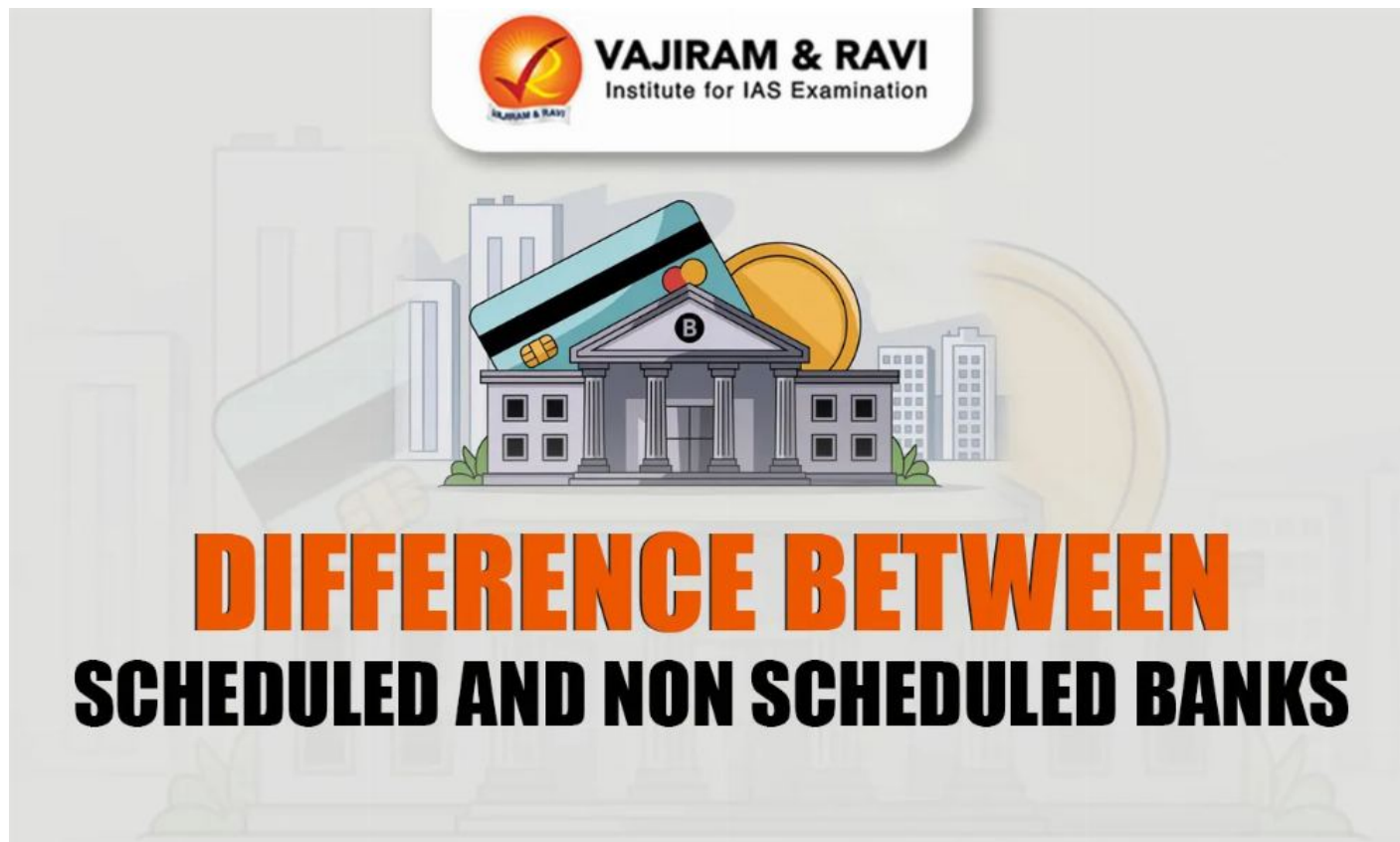


Difference Between Scheduled and Non-Scheduled Banks

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The Indian banking system is broadly classified into Scheduled and Non-Scheduled Banks as per the Reserve Bank of India Act, 1934. This classification is important for understanding how different banks function under regulatory norms and their eligibility for financial facilities from the RBI.

The primary Difference Between Scheduled and Non-Scheduled Banks lies in their regulatory classification and compliance obligations. Scheduled Banks are those included in the Second Schedule of the Reserve Bank of India (RBI) Act, 1934, and they operate under specific guidelines and regulatory norms prescribed by the RBI. In contrast, Non-Scheduled Banks are not listed in this Schedule and are not obligated to adhere to the same regulatory framework, giving them a relatively limited scope of operation.

Scheduled Banks

Scheduled Banks are those financial institutions that are included in the Second Schedule of the Reserve Bank of India (RBI) Act, 1934. To qualify for this status, a bank must maintain a minimum paid-up capital of ₹5 lakhs and satisfy the RBI that its operations do not pose a threat to the interests of depositors.

A key operational requirement for Scheduled Banks is maintaining a mandatory balance with the RBI, known as the Cash Reserve Ratio (CRR). This ensures liquidity and financial stability within the banking system. In India, all major banking categories, including commercial banks, public sector banks, the State Bank of India and its associate banks, private sector banks, regional rural banks, cooperative banks, and foreign banks, can be classified under Scheduled Banks, provided they meet the requisite criteria.

To attain Scheduled Bank status, an institution must be a corporate entity (not an individual or partnership firm), maintain the minimum capital threshold, and demonstrate sound banking practices that uphold depositor confidence and financial integrity.

Key Features

- Must have a paid-up capital and reserves of at least ₹5 lakhs.
- Should not engage in activities harmful to depositors’ interests.
- Eligible for borrowing funds from the RBI at the bank rate.
- Must maintain Cash Reserve Ratio (CRR) with the RBI.
- Examples: SBI, ICICI Bank, HDFC Bank, Punjab National Bank, etc.

Non-Scheduled Banks

Non-Scheduled Banks in India are not listed in the Second Schedule of the RBI Act, 1934, as they do not meet the criteria of minimum paid-up capital (₹5 lakhs) and other conditions set by the Reserve Bank of India. These banks operate on a smaller scale, maintain their cash reserves independently, and are not eligible for RBI financial assistance or clearinghouse membership. They are considered riskier due to limited regulatory oversight and are not required to submit regular reports to the RBI. Examples include some State Cooperative Banks and Urban Cooperative Banks that serve local banking needs in specific regions.

Key Features

- Usually operate on a small scale, often region-specific.
- Not eligible for borrowing from RBI for normal banking purposes.
- Have to maintain CRR only with themselves, not with the RBI.
- Not required to follow all provisions applicable to Scheduled Banks.
- Example: Some local area banks or private financial institutions operating on a limited scale.

Difference Between Scheduled and Non-Scheduled Banks

The table below highlights the key Difference Between Scheduled and Non-Scheduled Banks in India. It compares them based on crucial factors such as RBI regulation, capital requirements, access to RBI facilities, operational scope, and reporting obligations. This comparison helps in understanding how these two categories of banks function within India’s financial system.

Difference Between Scheduled and Non-Scheduled Banks

Basis of Difference	Scheduled Banks	Non-Scheduled Banks
Inclusion	Listed in the Second Schedule of the RBI Act, 1934	Not listed in the Second Schedule
Minimum Capital Requirement	At least ₹5 lakhs in paid-up capital and reserves	No such statutory requirement
Borrowing from RBI	Eligible to borrow funds from RBI under liquidity support	Not eligible for direct RBI support
Cash Reserve Ratio (CRR)	Must maintain CRR with RBI	Maintain CRR with themselves
Regulatory Oversight	Subject to full RBI regulation	Subject to limited RBI regulation
Scale of Operation	Operate on national or large scale	Operate on a smaller, regional scale
Examples	SBI, Axis Bank, Canara Bank, HDFC Bank	Local area banks, small private banks

Key Points to Remember

- Scheduled Banks enjoy more credibility and access to RBI facilities.
- Non-Scheduled Banks are typically small-scale and have limited access to national-level banking privileges.
- The classification ensures a structured banking environment based on size, compliance, and stability.
- Inclusion in the Second Schedule is a mark of regulatory approval and financial soundness.

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