



BANKING, BANKRUPTCY AND INSOLVENCY

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BANKS AND BANKING

The word bank is derived from the word '*Bancus*', which meant a bench. However there are several views on this.

It has been prevalent in all parts of the world in various forms and has evolved to become modern banks as we know them today.

Banking dates back to as early as 2000 B.C., the Babylonian merchants used to deposit their money, gold and valuables in the temples which acted as banks.

In Europe there were several families and dynasties like the Medici, Fugger, Rothschild, etc that acted as private bankers even though there were no public banks of significance yet.

WHAT IS A BANK?

A bank is a financial institution that lends money, accepts deposits and carries out other financial transactions for its clients.

The primary role of a bank is to take deposits from those with money, pool them, and lend them to those who need funds.

They act as intermediaries between depositors and borrowers. In return banks get interest or gives interest.

NATURE OF BANKING

In order to clearly differentiate banks versus other nonfinancial institutions, a bank is a financial institution that provides banking and other financial services to their customers.

A bank is generally understood as an institution which provides fundamental banking services such as accepting deposits and providing loans.

There are also nonbanking institutions that provide certain banking services without meeting the legal definition of a bank.

Banks are a subset of the financial services industry.

Beside financial intermediaries, banks play an important role as national financial institutions.

A bank is a financial institution and a financial intermediary that accepts deposits and channels those deposits into lending activities, either directly by loaning or indirectly through capital markets.

A bank is the connection between customers that have capital deficits and customers with capital surpluses. Due to their influence within a financial system and an economy, banks are generally highly regulated in most countries.

Pre-Independence Phase (1786-1947)

The Banking in India originates in the last decade in the 18th century with the foundation of the English Agency houses in Bombay and Calcutta (now Kolkata).

Three presidency banks Bank of Bengal, Bank of Bombay and Bank of Madras established in the 19th Century under the charter of the British East India Company.

In 1935, the presidency banks merge together and formed a new bank named Imperial Bank of India. The Imperial Bank of India subsequently named the State Bank of India.

The first Indian-owned Allahabad Bank was set up in 1865 in Allahabad.

In 1895, the Punjab National Bank was established in 1895.

The Bank of India founded in 1906 in Mumbai.

Many more commercial banks such as Canara Bank, Indian Bank, Central Bank of India, Bank of Baroda and Bank of Mysore were established between 1906 and 1913 under Indian ownership.

The central Bank of India, RBI establish in 1935 on the recommendation of Hilton-Young Commission.

Year of Origin	Name of Bank	Present Status
1770	Bank of Hindustan	Liquidated in 1832
1786	General Bank of India	Failed in 1791
1806, 1840, 1843	Bank of Bengal, Bank of Bombay, Bank of Madras	In 1921 amalgamated into the Imperial Bank of India, as on today Known as the State Bank of India since July 01, 1955

Year of Origin		Name of the Bank	Present Status
1906 to 1913		Bank of India, Central Bank of India, Bank of Baroda	Nationalised Banks
1913-24		Tata Industrial Bank, Alliance Bank of Simla	Failed in 1923
1926- Hilton Young Commission 1931- Central Banking enquiry Committee			
1939-45	Number of Smaller unscheduled banks declined		
1949	The Banking Regulation Act enacted (Known till 1965 as the Banking Companies Act)		

The Central Bank of India Ltd.,
the Bank of Maharashtra Ltd.,
the Bank of India Ltd.,
Dena Bank Ltd.,
the Punjab National Bank Ltd.,
The Syndicate Bank Ltd.,
the Canara Bank Ltd.,
the Indian Overseas Bank Ltd.,
The Bank of Baroda Ltd.,
the Union Bank of India Ltd.,
the Allahabad Bank Ltd.,
the United Bank of India Ltd.,
the United Commercial Bank Ltd. and
the Indian Bank Ltd.

Supreme Court case R.C. Cooper v. Union of India AIR 1970 SC 564