Development of Banking in India

Globally, the story of banking has much in common, as it evolved with the moneylenders accepting deposits and issuing receipts in their place. Banking was fairly varied and catered to the credit needs of the trade, commerce, agriculture as well as individuals in the economy.

Development of Banking in India occurred in different phases:

Early phase of Indian Banks, from 1786 to 1969

- The first bank in India, the General Bank of India, was set-up in 1786. Bank of Hindustan and Bengal Bank followed.
- The East India Company established Bank of Bengal (1809), Bank of Bombay (1840) and Bank of Madras (1843) as independent units and called them Presidency banks. These three banks were amalgamated in 1920 and the Imperial Bank of India, a bank of private shareholders, mostly Europeans, was established.
- Allahabad Banks was established, exclusively by Indians, in 1865.
- Punjab National Bank was set-up in 1894 with headquarters in Lahore.
- Between 1906 and 1913, Bank of India, Central Bank of India, Bank of Baroda, Canara Bank, Indian Bank and Bank of Mysore were set-up.
- The Reserve Bank of India came in 1935.
- To streamline the functioning and activities of commercial banks, the Government of India came up with the Banking Companies Act, 1949, which was later changed to the Banking Regulation Act, 1949.

Banking sector Reforms from 1969 to 1991

- In 1955, government nationalized the Imperial Bank of India and started offering extensive banking facilities, especially in rural and semi-urban areas.
- The government constituted the State Bank of India to act the principal agent of the RBI and to handle banking transaction of the Union Government and State Government all over the country.
- 7 banks owned by the Princely state were nationalized in 1959 and they become subsidiaries of the 1959 and they became subsidiaries of the State Bank of India. In 1969, 14 commercial banks in the country were nationalized.

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- In the phase of banking sector reforms, 7 more banks were nationalized in 1980. With this, 80% of the banking sector in India came under the government ownership.

New phase of Indian Banking System, Reforms after 1991

- This phase has introduced many more products and facilities in the banking sector as part of the reform process. In 1991, under the chairmanship of M Narasimham, a committee was set-up, which worked for the liberalisation of banking practices.

- In the phase, the country is flood with foreign bank and their ATM stations. Efforts are being put to give a satisfactory service to customers.

- Phone banking and net banking are introduced. The entire system became more convenience and swift. Time is given importance in all money transactions.

Nationalization of Banks

The Nationalization of commercial banks took place with an aim to achieve Social Welfare, Controlling Private Monopolies, Expansion of Banking, Reducing Regional Imbalance, Priority Sector Lending and Developing Banking Habits.

In order to have more control over banks, in **19th July**, 1969 Mrs. Indira Gandhi the then Prime Minister nationalized **14 large** commercial banks whose reserves were more than Rs 50 crore. The main aim of nationalizing was to reach client in rural area and provide them which more quality services.

Following is the list of banks, which got nationalized at this time:

1. Allahabad Bank
2. Bank of Baroda
3. Bank of India
4. Bank of Maharashtra
5. Central Bank of India
6. Canara Bank
7. Dena Bank
8. Indian Bank
9. Indian Overseas Bank

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10. Punjab National Bank
11. Syndicate Bank
12. UCO Bank
13. Union Bank
14. United Bank of India

In **15 April, 1980** the banks with more than Rs 200 crore of reserves got nationalized.

Those six banks, which got nationalized, are the following:

1. Andhra Bank
2. Corporation Bank
3. New Bank of India
4. Oriental Bank of Commerce
5. Punjab and Sindh Bank
6. Vijaya Bank

Later on, in year 1993, the government merged New Bank of India which Punjab National Banks. It was the only merge between nationalized banks.

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