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#Banks

The word 'bank' was developed from the German word "bank'. The word 'bank' means a joint stock firm. General public and extends loans to the household, the firms A bank is an institution which accepts deposits from the and the government. In short, banks are those institution which deals in money and credit.

According to Indian Banking Regulation Act, 1949, "Banking Company is one who do banking business." It means to accept deposits of money from public for the purpose of lending or investment and repayable on demand or otherwise and withdrawable by cheque, draft, and order or otherwise.

History and Growth of Banking System in India

The Indian banking system traces sack its history to 1786, when the first bank general bank of India was established.

From that year till today, the journey of growth of the Indian banking system can be divided into three phases

Phase I: (Early Phase from 1786 to 1969 of Indian Banks)

* In the mid-19th century, the East India Company established the Bank of Bengal in 1809, the Bank of Bombay in 1840 and the Bank of Madras in 1843 These were initially independent units and were referred as the Presidency Banks. These three were later merged in 1920, as Imperial Bank of India, which had European shareholders.
* Later in 1865, Allahabad Bank was established followed by Punjab National Bank in 1894. 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.
* Reserve Bank of India came into being in 1935.

Phase II: (Nationalisation of Indian Banks and up to 1991 prior to Indian Banking Sector Reforms)

* In 1949, Banking Regulation Act enacted.
* After independence. The Imperial Bank of India was nationalized under the State Bank of India Act of 1955 and became known as the State Bank of India for handling Central and State Government Banking transactions and functioning as the principal agent of RBI.
* In 1959, seven subsidiaries of SBI were also nationalized.
* In1961, insurance cover extended to deposits.

* With effect from the midnight of 19th July, 1969, 14 major banks were nationalized.
* In 1971 credit Guarantee Corporation was created.
* Regional Rural Bank was introduced in 1975.
* In 1980, 6 banks with deposits over ₹ 200 crore were nationalized.

Phase III: (New Phase of Indian Banking System with the advent of Indian Financial and Banking Sector Reforms after, 1991)

* Prior to 1991, all banks were state owned. In 1991, government opened the gate of liberalization of banking practices as per the report of a banking committee set-up under the chairmanship of Mr. M. Narasimha.
* Later on, in the year 1993, the government merged New Bank of India with Punjab National Bank. It was the only merger between nationalized banks and resulted in the reduction of the number of nationalized banks from 20 to 19.
* Till now, banking industry has changed tremendously with retail banking shifting to universal banking, E-banking and has customer satisfaction as the highest priority.

Types of Banks

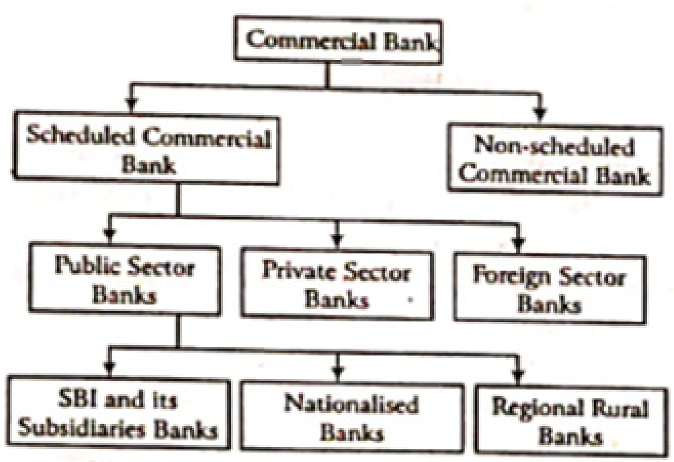
Banks are classified into two type's example commercial banks and cooperative banks

Commercial Banks

They are established with an objective of collecting money from general public and giving loans to general public by way of cash credit, overdrafts etc.

Structure of Commercial Banks

It can be classified by the following chart



These are as follows

Scheduled Bank

These are those bank which are registered in the second schedule of the Reserve Bank of India, 1934. It includes those banks, which have a paid-up capital and reserves of an aggregate value of not less than ₹ 5 lakh and must satisfy the criteria laid down under Section 46(6)(a) of the Act and its economic condition must be sound.

Classification of Scheduled Banks

Scheduled banks can further be categorised as follows

Public Sector Banks

Public sector banks are banks, in which the government and RBI has major holding. They are managed and operated by the government. They can be further sub-divided into SBI and its associate banks, other nationalised banks and regional rural banks. These are as follows

SBI and Associate Banks

State Bank of India (SBI) is the country's largest commercial bank in terms of assets, deposits and employees. It is a government-owned corporation which offers a wide range of general banking services from loans and advances to corporates and individuals in India and abroad.

Note: All subsidiary banks of SBI and Bhartiya Mahila Bank have been merged into SBI in April 2017.

Nationalised Banks

In 1955, the Imperial Bank of India was nationalised and was given the name 'State Bank of India'. On 19th July, 1969, major 14 Indian commercial banks were nationalised. In 1980, another 6 banks were nationalised. Till the year 1980, approximately 80% of the banking segment in India was under government's ownership.

The following is the list of all nationalised banks

* Andhra Bank
* Bank of India
* Canara Bank
* Corporation Bank

* Allahabad Bank
* Bank of Baroda
* Bank of Maharashtra
* Central Bank of India
* Indian Bank
* Indian Overseas Bank
* Oriental Bank of Commerce
* Punjab and Sind Bank
* Punjab National Bank
* Syndicate Bank
* UCO Bank
* Union Bank of India
* United Bank of India
* Dena Bank and Vijaya Bank have been merged into
* Bank of Baroda in April, 2019

Objectives Behind Nationalisation of Banks in India

Following are the objectives behind nationalisation of banks in India

* Minimizing regional imbalance.
* Expansion of bank branches, especially in rural areas.
* Controlling private monopolies.
* Speed-up economic growth.
* Priority sector lending.
* Developing banking habits.
* Provide better credit facility for agriculture.
* Using bank as tool of social welfare.

Regional Rural Banks

To liquidate rural indebtedness by stages and to dispense institutional credit facilities to farmers and artisans in rural areas, the Government of India promulgated on 26th September, 1975, the regional rural banks ordinance, 1975 to set-up regional rural banks throughout the country. Banks has started working from 2nd October, 1975. Regional rural banks came to be established under the Regional Rural Banks Act. 1976. Initially. 5 RRBs were set-up at Moradabad, Gorakhpur (UP). Bhiwani, Jaipur and Malda (W.B.). As on 31st March, 2019. there are 56 regional rural banks.

Regional rural banks in India penetrated every corner of the country and extended a helping hand in the growth process of the country.

These banks provide institutional credit to the weaker sections of the society at the concessional rate of interest, mobilise rural savings and channelize for supporting the productive activities in the rural areas.

The RRB is governed by a Board of Directors, who exercises all the powers and discharges all the functions of RRB, It consists of a chairman and 3 directors appointed by the Central Government for 5 years, 2 directors nominated by he concerned State Government and 3 directory intimated by the sponsor banks. Reserve Bank of India has brought RRB's under the ambit of priority sector lending on par with the commercial banks.

The National Bank for Agricultural and Rural Development (NABARD) is vested with powers of inspection of RRBs and to call for any data from them. It also provides refinance at concessional interest rate to the RRBs.

National Bank for Agricultural and Rural Development (NABARD)

It is an apex development financial institution of India. It was established on 12th July, 1982 with an initial capital of ₹ 100 crore under National Bank for Agricultural and Rural Development Act, 1981.

Later, its capital was enhanced to ₹ 2,000 crore by the Government of India and RBI. It replaced the Agricultural Credit Department (ACD) and Rural Planning and Credit Cell (RPCC) of Reserve Bank of India and Agricultural Refinance and Development Corporation (ARDC). It is one of the premiere agencies to provide credit in rural areas. The amendment to NABARD Act in 2001, classify it as a 'Development Bank', which have permitted it to enhance its capital, subject to the minimum holding of 51% by the GOI and RBI. NABARD provides long-term refinance for minor irrigation, plantation, horticulture, land development, animal husbandry, fisheries etc. It also of seasonal provide short-term loan assistance for financing agricultural operations, marketing of crops etc. It also offers medium-term loan facilities for approved agricultural purposes.

Functions of NABARD

The functions of NABARD have been divided into three categories

Credit Distribution: Take measures towards institutions building for improving capacity of the credit delivery system, including monitoring, formulation of rehabilitation schemes, restructuring of credit institutions, training of personnel etc.