



## ACHIEVEMENTS OF COMMERCIAL BANKS IN INDIA

**Dr. Narendra S. Bagde**

**Vice-Principal & Head Dept. of Commerce , Dr. Madhukarrao Wasnik P.W.S. Arts & Comm.  
College Kamptee road, Nagpur.**

### ABSTRACT :

*A modern industrial society cannot be run by self-financing of entrepreneurs. Some institutional assistance is necessary to mobilize the saving of the community and to make them available to the entrepreneurs. The people, a large majority of who save in small odd lots, also want an institution which can ensure safety of their funds together with liquidity. Banks assure this with a further facility. From a broader angle, banks act as a bridge between the users of capital and those who save but cannot use the funds themselves. The idle resources of the community are thus activated and brought to productive use. The banking system has capacity to add to the total supply of money by means of credit creation. The bank is a dealer in credit its own and other people's. It is because of the ability to manipulate credit that banks are used extensively as a tool of monetary policy.*

**KEYWORDS :** Banks, Money, Achievement, Nationalization, Economy.

### INTRODUCTION:

At the time of independence, India had a fairly well-developed banking system with more than 645 Banks having more than 4800 branch offices. These banks although developed but they could not conform to social needs of the society. These banks generally catered to the needs of industries and that too big ones. Other priority sectors like agriculture, small-scale industries, exports etc, were almost neglected. To overcome these deficiencies, the government announced the nationalization of 14 major commercial banks with effect from July, 1969. The objectives of nationalization were to control the heights of the economy and to meet progressively the needs of development of the economy, in conformity with national policy and objectives. Six more banks were nationalized in 1980.

Commercial Banks are the institutions that ordinarily accept deposits from the people and advances loans. Commercial Banks also create in India; such banks alone are called Commercial Banks which have been established in accordance with the provisions of the Banking Regulation Act, 1949. Commercial Banks may be Scheduled Banks of Non-Scheduled Banks

### OBJECTIVES OF THE STUDY:

- 1) A study the role of commercial banks in India.
- 2) A study the functions of commercial banks in India.
- 3) Achievements of banks in the post-nationalization period.



### ROLE OF COMMERCIAL BANKS:

Banks play a very useful and dynamic role in the economic life of every modern state. Their economic importance may be viewed in the followed points

- 1) Allocation of funds or economic surplus among different sectors, uses or producers so as to make maximum social return and thus to ensure optimum utilization of savings is another important function performed by the banks. However, it may be mentioned, that commercial banks do not always work and allocate resources in the way that maximizes production or social welfare
- 2) Not only do the banks encourage savings but they also mobilize saving done by several households and make them available for production and investment to the entrepreneurs in various sectors of the economy. Without banks saving would have remained idle and would not have been utilized for production and investment purposes.
- 3) A developing economy needs a high rate of capital formation to accelerate the tempo of economic development. But the economic development depends upon the rate of savings. Banks offer facilities for keeping savings and thus encourage the habits of thrift in the society.
- 4) By encouraging saving and mobilizing them from public, banks help to increase the aggregate rate of investment in the economy. Banks not only mobilize saved funds from the public. But they also themselves create deposits or credit which serve as money. The new deposits are created by the banks when they lend money to the investors or other user. These deposits are created by the banks in excess of the cash reserve they obtain through deposits from the public. These days. The bank deposits, especially demand deposits are as much good money as the currency issued by the government or the central bank. This creation of credit, if it is used for productive purposes greatly enlarges production and investment and thus promotes economic growth.

#### **FUNCTIONS OF COMMERCIAL BANKS:**

##### **a) Leading of money:**

Banks lend money mainly for industrial and commercial purposes. This leading may take the form of cash credits, overdrafts, loans and advances, or discounting of bills of exchange. Interest charged by banks on such lending varies according to the amount and period involved, social priority nature of security offered, the standing of the borrower, etc.

##### **b) Agency services:**

A bank renders various services to consumers, such as : i) collection of bills, promissory notes and cheques, ii) collection of dividends, interests, premiums, etc; iii) purchase and sale of shares and securities, iv) acting as trustee or executor when so nominated; and v) making regular payments such as insurance premiums.

##### **c) Receipt of deposits:**

A bank receives deposits from individuals, firms and other institutions. Deposits constitute the main resources of a bank, such deposits may be of different types. Deposits which are withdraw able on demand are called demand or current deposits. Others are called time deposits. Savings deposits are those from which withdrawals are not restricted as regards the amount and the period. Deposits withdraw able after the expiry of an agreed period is known as fixed deposits. Interest paid by banks is different for each kind of deposit-highest for fixed deposits and lowest or even nil for current deposits.

##### **d) General services:**

A modern bank performs many services of general nature to the public, e.g. i) issue of letters of credit, travelers cheques, bank drafts, circular notes; etc, ii) safe keeping of valuables in safe deposit vaults, iii) supplying trade information and statistics; conducting economic surveys; and iv) preparation of feasibility studies, project reports, etc. banks in some foreign countries also underwrite issue of shares and make loans for long-term purposes.

---

## Various Achievements of Banks in the Post-nationalization Period:

### 1) Branch Expansion:

There has been a spectacular expansion of bank branches after nationalization of major commercial banks in 1969. The lead bank scheme has played an important role in the bank expansion programme. The number of branches of all scheduled commercial banks, which increased from 4151 to 8262 (i.e., about 100% increase) during the 18 years of pre-nationalization-period (1951-1969), has further gone up from 8262 to 53840 (i.e., 552% increase) during the 18 years of post-nationalization period (1969-87).

The banking coverage in the country as a whole has also considerably improved from one office for 87 thousand people in 1951 to one office for 65 thousand people in 1969 and one office for 15 thousand people in 2006. The number of bank branches in 2014 was 121535.

### 2) Coverage of Rural Areas:

The main thrust of branch expansion policy in the post-nationalization period has been on increasing the banking facilities in the rural areas. There has been a significant increase in the rural branches of banks since 1969. The number of branches in rural areas having population up to 10,000 has increased from 1832 in June 1969 to 46976 in June 2014.

The percentage of bank branches in rural areas to the total branches has risen from 22.2% in June 1969 to 37.2% in June 2011. Of the additional branches opened between June 1969 to June 2006 (i.e., 61354), 50% were in rural areas.

### 3) Credit Expansion:

The expansion of bank credit has also been more spectacular in the post-bank nationalization period. Over the period of 18 years before bank nationalization, total advances of scheduled banks increased from Rs. 547 crore in 1951 to Rs. 3599 crore in 1969 (i.e. about 7 times increase). Against this, during the 18 years after bank nationalization, the advances of scheduled banks increased from Rs. 3599 crore in 1969 to Rs. 63753 crore (i.e., 17 times increase). The advances increased to Rs. 6346702 crore in 2014.

### 4) Change in Composition of Deposits:

The relative proportions of demand and time deposits have also changed markedly after the nationalization of banks. The proportion of time deposits has increased continuously from 50% in 1951 to 75% in 1969 and further to 90% in December 2014. This is a clear indication of a shift in favor of fixed deposits of the commercial banks.

### 5) Reduction of Regional Imbalances:

Another highlight of the branch expansion policy since the nationalization of banks has been to extend banking facilities in the deficit and unbanked areas and to reduce the regional imbalances. Systematic efforts are being made to increase banking facilities in the rural and semi-urban areas of the deficit districts of the country.

The licensing policy during the Seventh Plan period (1985- 90) aims at achieving a converge of 17000 population per bank in rural and semi-urban areas of each development block. The policy also aims at providing a bank office within 10 kms from each village.

### 6) Investment in Government Securities:

The nationalized banks were also expected to provide finance for economic plans of the country through the purchase of government securities. There has been a significant increase in the investment of the banks in government and other approved securities which increased from Rs. 1727 crore in March 1970 to Rs. 2437760 crore in 2014.

### 7) Expansion of Bank Deposits:

Since nationalization of banks, there has been a significant increase in the deposits of commercial banks. During the 18 years of pre-nationalization period, the deposits in the scheduled banks increased from Rs. 908 crore in 1951 to Rs. 4646 crore in 1969 (i.e., about 5 times increase). Against this, during the 18 years of post-nationalization period, the deposits increased from Rs. 4646 crore in the 1969 to Rs 107345 crore in 1987 (i.e., about 26 times increase). The deposits rose to Rs. 8336175 in 2014.

### CONCLUSIONS:

Banks play a very useful and dynamic role in the economic life of every modern state, commercial banks encourage saving habits among the people, help improving the capital formation in the economy and mobilizing the savings in a productive manner. Lending and borrowing functions of banks result in credit creation in the economy. The main functions of commercial banks are receipts of deposits, lending of money for industrial and commercial purpose, agency services to consumers and general services like travelers cheques, bank drafts, circular notes. After nationalization, there are many shortcomings like inter-regional imbalances, inter-sectoral imbalances, mounting bad and doubtful debts and poor quality of services etc.

### REFERENCES:

- 1) General Economics (2011) : The Institute of Chartered Accountants of India, New Delhi.
- 2) Vasant Desai (2013) : Bank Management, Himalaya Publishing House, Mumbai.
- 3) S.A. Sherlekar (2011) : Marketing Management, Himalaya Publishing House, Mumbai.
- 4) P.Saravanavel (2006) : Research Methodology, Kitab Mahal, Allahabad.
- 5) [www.banksachievements.com](http://www.banksachievements.com)
- 6) [www.bank.org.in](http://www.bank.org.in)