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SPECTACULAR PROGRESS OF NATIONALIZED BANKS IN INDIA

Chitte G.N.

Mauli Mahavidyalaya, Wadala.

Abstract:

Commercial banks have been in existence in India since the 18th Century Earlier they were established on unlimited liability basis. Hindustan Bank" was established in the year 1770 but unfortunately it was failed in the year 1832. After 1860 banks were started on limited liability basis. Three presidency banks were established sub sequently Bank of Bengal 1809, Bank of Bombay 1840 and Bank of Madrass 1843. Imperial Bank of India was constituted in the year 1920. While amalgamating above three presidency banks into a single bank.

KEYWORDS:

Spectacular Progress , Nationalized Banks , commercial banks.

INTRODUCTION

The Imperial Bank being the biggest commercial bank functioned partly as the central bank and partly as a commercial bank from 1921 to 1935. The reserve Bank of India was set up in 1935 and consequently the central banking functions were taken away from the imperial Bank. The Imperial Bank was nationalized in 1955 to constitute the state Bank of India.

NATIONALIZATION OF MAJOR COMMERCIAL BANKS.

The central government through an ordinance, nationalized 14 major commercial banks on July 19, 1969 each having deposits of Rs. 50 crores or more. These banks are; 1) Central Bank of India 2) Bank of India 3) Punjab National Bank 4) Bank of Baroda 5) United Commercial Bank 6) Canara Bank 7) United Bank of India 8) Dena Bank 9) Union bank of India 10) Allahabad Bank 11) Syndicate Bank 12) Indian over seas Bank 13) Indian Bank 14) Bank of Maharashtra

On 15 April 1980, 6 more scheduled commercial banks, each having deposits of Rs. 200 Crores or more were nationalized through an ordinance. The banks were as follows:-

1) Andhra Bank 2) Corporation Bank 3) New Bank of India 4) Oriented Bank of Commercial 5) Punjab & Sind bank 6) Vijay bank. But in September 1993, the new bank of India, A nationalized bank was merged with the Punjab National bank. As a result, the total number of public sector banks is 26; these include the state bank of India, & its subsidiaries banks. The nationalized banks account for over 80 % of the total deposits & credits of all commercial banks in the country.

GOALS OF NATIONALIZATION OF THE BANKS

The then Prime Minister Mrs. Indira Gandhi in her statement to the parliament on 21 July 1969,

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spelt out following goals behind nationalization of major commercial banks.

- 1) To expand network of branches & bring about a progressive reduction in interregional disparities in banking facilities.
- 2) To mobilize the ideal saving of the people to the largest extent possible & to divert them to productive purposes & priorities sector.
- 3) To ensure that banking operations are influenced by a social purpose & close Govt. regulation & control.
- 4) To fulfill needs of the small scale industries, farmers, small borrowers & self - employed etc.
- 5) To ensure, that bank credits are not used for speculative & un-productive purposes.
- 6) To promote modern & new technology & practices in banking operations.
- 7) To ensure that the staffs are provided adequate training & reasonable terms of service.
- 8) To emphasis on hither to neglected & backward areas which had received scant attention earlier.

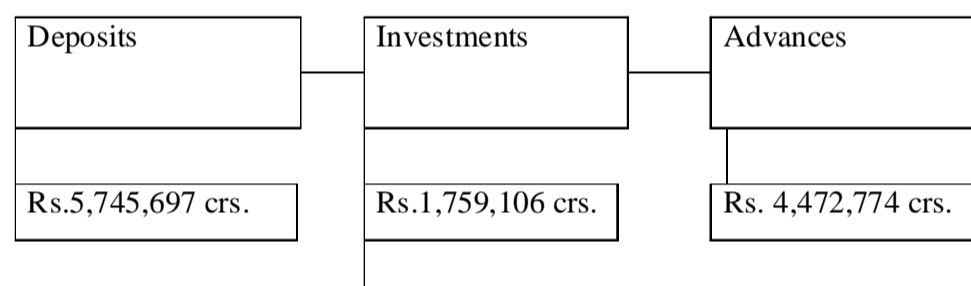
Thus, the above goals were framed before the commercial banks in India. Broadly speaking, the two main objectives of bank nationalization were:-

- a) Mobilization of deposits through the branch expansion program in the unbanked rural areas.
- b) Available of bank credit to the priority sectors of the economy.

PROGRESS OF BANKS AFTER NATIONALIZATION

Banks have completed over forty years (1969 banks nationalization) and more than fifty nine years (1955 SBI & group) of their existence in the public sector. We cannot deny the fact that these banks have recorded rapid and spectacular progress after nationalization by the 26 banks.

Outstanding of 26 bank's spectacular progress in the year 2013.



The statistical facts are shows tremendous and spectacular progress of the banks. Particularly speaking State Bank of India, bank of Baroda, Bank of India, Canara Bank, Punjab National Bank and Union bank of India are the leading banks so far as deposits Investments and advances are concerned.

PROBLEMS AND FAILURES OF COMMERCIAL BANKS.

No doubt the fact that the performance of the commercial banks has been very impressive in the post nationalization period, but one cannot ignore another side of the problems and failures of the banks.

- a) Sharp decline in the quality of banking services provided to the customers.
- b) Timely recovery of loans is a major problem faced by the banks.
- c) Political pressure, bureaucratic interference, administrative encroachment in the credit decision making.
- d) Window Dressing of Balance sheets, the balance sheets of banks do not reveal the actual state of affairs.
- e) Declining profitability is the major problem of the banks.
- f) Increase in the banks liquidity by was of SLR and CRR.
- g) Lack of autonomy in respect of decision making.
- h) Problem of increasing NPA accounts.

MEASURES FOR IMPROVEMENT:-

- a) Basically commercial banks are functioning for profit motive, So they should be allowed to do so.
- b) Statutory liquidity ratio (SLR) should be brought down at minimum level.

SPECTACULAR PROGRESS OF NATIONALIZED BANKS IN INDIA

- c) Cash Reserve Ratio (CRR) should be brought down to 05% percent.
- d) The interest rates should be determined by the forces of demand and supply by market mechanism.
- e) The concessional interest rates for priority sectors should be phased out.
- f) NPA accounts should be managed skillfully so as to there should not be problem of provisions & contingencies in the bank balance sheet.

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