

Various Bank Exam. Related Study Materials

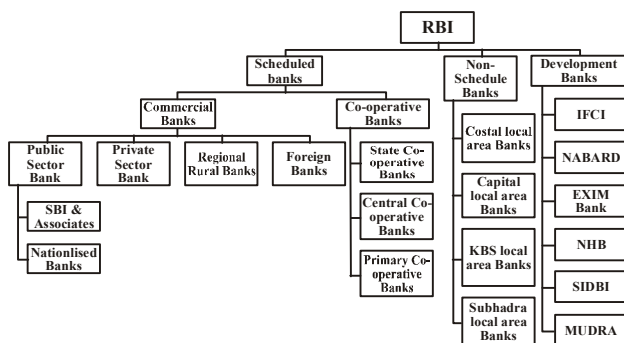
HISTORY OF BANKING SYSTEM IN INDIA

The banking sector is the lifeline of any modern economy. It is one of the important financial pillars of the financial sector, which plays a vital role in the functioning of an economy. It is very important for economic development of a country that its financing requirements of trade, industry and agriculture are met with higher degree of commitment and responsibility. Thus, the development of a country is integrally linked with the development of banking. The strength of an economy depends on the strength and efficiency of the financial system, which in turn depends on a sound and solvent banking system.

In India, banks are playing a crucial role in socio-economic progress of the country after independence. The banking sector is dominant in India as it accounts for more than half the assets of the financial sector. Indian banks have been going through a fascinating phase through rapid changes brought about by financial sector reforms, which are being implemented in a phased manner.

After the liberalization of the Indian economy, the Government has announced a number of reform measures on the basis of the recommendation of the Narasimhan Committee to make the banking sector economically viable and competitively strong.

INDIAN BANKING STRUCTURE



THE BACKDROP

The banking system in India has glorious past, bright future, and pleasant present. Some authorities believe that the word 'Bank' has been derived from the Greek word 'Banque' which means 'a Bench'. In older days Jews entered into money transaction sitting on benches in a market place; When a banker was not in a position to meet his obligation the 'Bench' on which

he used to sit and carry on the money business was broken into pieces and he was taken as Bankrupt. Thus both the word 'Bank' and 'Bankrupt' are said to have their origin from the word 'Banque'. There are others, who believe that the word 'bank' is originally derived from the German word 'back' meaning a joint-stock fund. As the Germans occupied Italy, the word was Italized, the word 'back' became 'banco' and finally it became 'Bank' under the English.

HISTORY: Banking was in existence in India during Vedic times (from 2000 BC TO 1400 BC). There are references of lending and banking in two epics namely Mahabharata and Ramayana as well which are concerned with the events of life which took place between 1000 and 700 BC. During that period banking has become a full-fledged business. During the Mughal Mauryan period, indigenous banking was in its prime. There was hardly a village in India without its money-lender or Sharoff who financed trade and commerce.

Modern banking started in India only from the beginning of the 19th century. The earliest commercial banks were started in India by the employees of the East India Company. These banks were known as 'Agency House'. They were mainly trading concerns which combined banking business with other activities, such as; trading and speculation.

Banking in India in proper sense originated in the last decade of 18th century when Bank of Hindustan was first established in 1770. Three Presidencies Banks viz. Bank of Calcutta, Bank of Bombay, and Bank of Madras were established in 1806, 1840 & 1843 respectively. Bank of Calcutta renamed as Bank of Bengal in 1809. These three presidency Banks were amalgamated & formed Imperial Bank of India on 27th January 1921. This Imperial Bank of India after independence again renamed and became State Bank of India in 1955. Notably, State Bank of India is the largest and oldest Bank of India.

Pursuant to the provision of the State Bank of India (Subsidiary Banks) Act of 1959, the following banks were constituted as subsidiaries of the State Bank of India- State Bank of Bikaner, Bank of Indore, State Bank of Hyderabad, State Bank of Saurashtra.

Banking in India experienced severe set-back during the period 1913-17, as 108 banks failed and another 373 banks failed in 1922-36, which was again followed the failure of 620 banks in 1937- 48. Cooperative banks

started functioning in India from 1904 with the sole aims to finance agriculture. The cooperative banks are now on a three tier basis, namely, - (i) Primary Cooperative Banks at the village level; (ii) Central Cooperative Banks at the district level; (iii) State cooperative Bank at State level. The establishment of Reserve Bank of India in the year 1935 marked as the beginning of a new era in history of Indian banking system. The Banking regulation act 1949 gave wide power to the Reserve Bank of India to regulate, supervise and develop the banking system. In subsequent years, the efforts of RBI were mainly directed towards institutionalization of savings, consolidated of banking structure and re-orienting the credit system to emerging need of the economy.

শ্রীচিড়ম্ব

COLONIAL ERA: During British Era, the merchants started Union Bank of Calcutta in 1869, initially it was started as joint stock association but later it came into partnership with other. The Allahabad Bank which is still functioning today was started in 1865, it is the oldest joint stock bank in India, still it was not the first though. That honour belongs to the Bank of Upper India which was established in 1863 & survived until 1913, but due to failure of some of its assets and liabilities it being transferred to Alliance Bank of Simla.

In 1881 in Faisalabad first Indian joint stock bank which was Oudh Commercial Bank came into action but it was failed in 1958. The next which was established in 1894 in Lahore was the Punjab National Bank, which has been in existence to the present and is now the second largest Bank in India. The banking system of India in the early 20th was not enough developed that it could compete with the presidency banks and foreign exchange banks which were well updated with the technology and capital resources.

Foreign banks too started to appear, particularly in Calcutta, in the 1860s. Grindlays Bank opened its first branch in Calcutta in 1864. The Comptoir d'Escompte de Paris opened a branch in Calcutta in 1860, and another in Bombay in 1862; branches followed in Madras and Pondicherry, then a French possession. HSBC established itself in Bengal in 1869. Calcutta was the most active trading port in India, mainly due to the trade of the British Empire, and so became a banking centre.

শ্রীচিড়ম্ব

The Swadeshi Movement inspired the establishment of banks in periods between 1906 and 1911. Catholic Syrian Bank, The South Indian Bank, Bank of India, Corporation Bank, Indian Bank, Bank of Baroda, Canara Bank and Central Bank of India are some banks which are established during that time and are still functioning today.

The fervour of Swadeshi movement led to the establishment of many private banks as well in Dakshina Kannada and Udupi district, which were unified earlier and known by the name South Canara (South Kanara) district. Hence undivided Dakshina Kannada district is known as “Cradle of Indian Banking”.

শ্রীচিড়ম্ব

During the First World War (1914–1918) through the end of the Second World War (1939–1945), and two years thereafter until the independence of India were challenging for Indian banking. At least 94 banks in India failed between 1913 and 1918 as indicated in the following table:

Years	Number of banks that failed	Authorised Capital (₹ Lakhs)	Paid-up Capital (₹ Lakhs)
1913	12	274	35
1914	42	710	109
1915	11	56	5
1916	13	231	4
1917	9	76	25
1918	7	209	1

The great depression (1928-1934) also affected Indian banking industry as the number of banks failing raised sharply due to high NPAs.

Reserve Bank of India was setup in 1935, as bank failure and neglecting of agriculture sector were the main reasons for the establishment of Reserve Bank of India. The Reserve Bank of India was nationalised with effect from **1st January, 1949** on the basis of the Reserve Bank of India (Transfer to Public Ownership) Act, 1948. Yet, after so many decades the NPA menace and the twin balance sheet problem still persist in Indian banking scenario.

BRIEF HISTORY OF RBI: The Reserve Bank of India is the central bank of the country. Central banks are a relatively recent innovation and most central banks, as we know them today, were established around the early twentieth century.

The Reserve Bank of India was set up on the basis of the recommendations of the Hilton Young Commission. The Reserve Bank of India Act, 1934 (II of 1934) provides the statutory basis of the functioning of the Bank, which commenced operations on April 1, 1935.

শ্রীচিড়ম্ব

The Bank was constituted to:

- Regulate the issue of banknotes
- Maintain reserves with a view to securing monetary stability and
- To operate the credit and currency system of the country to its advantage.

The Bank began its operations by taking over from the Government the functions so far being performed by the Controller of Currency and from the Imperial Bank of India, the management of Government accounts and public debt. The existing currency offices at Calcutta, Bombay, Madras, Rangoon, Karachi, Lahore and Cawnpore (Kanpur) became branches of the Issue Department. Offices of the Banking Department were established in Calcutta, Bombay, Madras, Delhi and Rangoon.

শ্রীচিভর্ষ

Burma (Myanmar) seceded from the Indian Union in 1937 but the Reserve Bank continued to act as the Central Bank for Burma till Japanese Occupation of Burma and later upto April, 1947. After the partition of India, the Reserve Bank served as the central bank of Pakistan upto June 1948 when the State Bank of Pakistan commenced operations. The Bank, which was originally set up as a shareholder's bank, was nationalised in 1949.

An interesting feature of the Reserve Bank of India was that at its very inception, the Bank was seen as playing a special role in the context of development, especially Agriculture. When India commenced its plan endeavours, the development role of the Bank came into focus, especially in the sixties when the Reserve Bank, in many ways, pioneered the concept and practise of using finance to catalyse development. The Bank was also instrumental in institutional development and helped set up insitutions like the Deposit Insurance and Credit Guarantee Corporation of India, the Unit Trust of India, the Industrial Development Bank of India, the National Bank of Agriculture and Rural Development, the Discount and Finance House of India etc. to build the financial infrastructure of the country.

With liberalisation, the Bank's focus has shifted back to core central banking functions like Monetary Policy, Bank Supervision and Regulation, and Overseeing the Payments System and onto developing the financial markets.

শ্রীচিভর্ষ

POST INDEPENDENCE: India observed the emergence of large number of Institution for providing finance to different sector of the economy. The entry activities of Private Sector and Foreign Banks were restricted through Branch licensing and regulation norms.

Steps taken by Indian Government to regulate Banking are:-

- 1) RBI was nationalized on January, 1949 under the terms of RBI. In 1949 the Banking Regulation Act was enacted.
- 2) The Banking Regulation Act, 1949 also have a provision that the no new bank or branch of any existing bank could be opened without a license

issued by an RBI. No two banks could have common Directors.

LIBERALISATION AND GLOBALISATION:

Number of small private banks were granted license by the government due to the policies of liberalization in the early 1990s. Due to Globalization more and more Banks are receiving the benefits and also expanding at an incredible faster pace, publicly owned Banks handle more than 80% of the Banking Business in India and rest in the hand of private sector Banks. However, Banking in both the government and private sector is being revolutionized by this latest phenomenon called 'Globalization'.

শ্রীচিভর্ষ

PRESENT SCENARIO: By 2010, Indian Banking was generally enough mature in terms of supply and reach. Even though reach in rural India still remains a big challenge for Private Sector and Rural Areas. RBI being an autonomous body faces minimum pressure from the government.

With the new government in power on 28th August 2014 Prime Minister of India Mr Narendra Modi launched new scheme for Financial Inclusion, that scheme is Pradhan Mantri Jan Dhan Yojana. Run by Department of financial services, Ministry of finance opens 1.5 crores banks accounts on the inauguration day. By 10th January 2015 11.5 crores accounts were opened with around Rs.8698 crores rupees deposited under the scheme; there was also an option for opening bank account with zero balance. Physical as well as virtual expansion of banking through mobile banking, internet banking, tele banking, and bio metric and mobile ATMs is taking place since last decade and has gained a momentum in last few years.

EVOLUTION OF INDIAN BANKING

The period of last six decades has viewed many macro-economic developments of India. The monitory, external and banking policies have undergone several changes. The structural changes in the Indian financial system specially in banking system has influence the evaluation of Indian Banking in different ways. After the independence and implementation of banking reforms, we can see the changes in the functioning of commercial banks.

Evaluation of Indian banking may be traced through four distinct phases:-

1. Evolutionary phase (Prior to 1947)
2. Foundation phase (1947-1969)
3. Expansion phase (1969-1990)
4. Consolidation and Liberalization phase (1990 to till).

শ্রীচিভর্ষ

❖ Evolutionary phase (Prior to 1947)

The first bank of India was the “Bank of Hindustan”, established in 1770 and located in the then, Indian capital, Calcutta. However, this bank failed to work and ceased operations in 1832.

During the Pre Independence period over 600 banks had been registered in the country but only a few managed to survive.

Following the path of Bank of Hindustan, various other banks were established in India. They were:

- The General Bank of India (1786-1791)
- Oudh Commercial Bank (1881-1958) শ্রীচিড়াক্স
- Bank of Bengal (1809)
- Bank of Bombay (1840)
- Bank of Madras (1843)

Given below is a list of other banks which were established during the Pre-Independence period:

Bank Name	Year of Establishment
Allahabad Bank	1865
Punjab National Bank	1894
Bank of India	1906
Central Bank of India	1911
Canara Bank	1906
Bank of Baroda	1908

Foundation Phase (1947-1969)

When the country became independent in 1947, Indian banking was entirely in the private sector. In addition to the Imperial Banks, there were five big banks, each holding public deposits aggregating Rs. 100 Cr. and more, Central Bank of India Ltd., Punjab National Bank Ltd, Bank of India Ltd, Bank of Baroda Ltd. and United Commercial Bank Ltd. At the time of independence, the banking structure was domestic scheduled commercial banks. Non- scheduled banks, though large in number but constituted a small share of the banking sector (1.5%).

The banking system at the time of independence was largely urban- oriented and remained beyond the reach of the rural population. A large percentage of the rural population had to depend on the money lenders as their main source of credit banks. Rural access was grossly inadequate, as agriculture was not considered as an economic proposition by banks in these days. Thus, the rural economy, in general, and agriculture sector in particular, which is the crucial segment of the Indian economy was not supported by the banking system in any form. শ্রীচিড়াক্স

Therefore, it was the need of the hour, to provide the banking facility to the rural area. It was suggested

that the Imperial Bank of India should extent its branches to Taluka or Tehsil to provide the banking services for the neglected area. The Imperial Bank of India was given a target of opening 114 offices within a period of five years commencing from 1st July, 1951. But that bank could open only 63 branches till June 20, 1955 . After that, Imperial Bank of India was taken over by the Government under the State Bank of India, Act, 1955, effective from July 1, 1955. Under the State Bank of India (Subsidiary Banks) Act, 1959, eight state owned/ sponsored banks were taken over by State Bank of India as its subsidiaries, now called Associate Banks.

❖ Expansion Phase (1969-1990) শ্রীচিড়াক্স

Although the banking system had made some progress in terms of deposit growth in the 1950s and the 1960s, its spread was mainly concentrated in the urban areas. It was felt that if bank funds had to be channelled for rapid economic growth with social justice, then most of the banks should be nationalized . Accordingly, with the intention of the then Prime Minister, Smt. Indira Gandhi, the Government nationalized 14 banks with deposits of over Rs. 50 Cr. by the Banking Companies (Acquisition and Transfer of Undertakings) Ordinance, 1969 with effect from the midnight of 19 July 1969. These banks contained 85 percent of bank deposits in the country. Within two weeks of the issue of the ordinance, the Parliament passed the Banking Companies (Acquisition and Transfer of Undertaking) Bill, and it received presidential approval on 9 August 1969.

Given below is the list of these 14 Banks nationalised in 1969:

1. Allahabad Bank	8. Indian Overseas Bank
2. Bank of India	9. Indian Bank
3. Bank of Baroda	10. Punjab National Bank
4. Bank of Maharashtra	11. Syndicate Bank
5. Central Bank of India	12. Union Bank of India
6. Canara Bank	13. United Bank
7. Dena Bank	14. UCO Bank

On April 15, 1980 six more private sector banks were nationalized, making the number of public sector banks 27. The stated reason for the nationalization was to give the government more control of credit delivery. With the second round of nationalizations, the Government of India controlled around 91% of the banking business of India. শ্রীচিড়াক্স

These banks included:

1. Andhra Bank	4. Oriental Bank of Comm.
2. Corporation Bank	5. Punjab & Sind Bank
3. New Bank of India	6. Vijaya Bank

Apart from the above mentioned 20 banks, there were seven subsidiaries of SBI which were nationalised in 1959:

1. State Bank of Patiala
2. State Bank of Hyderabad
3. State Bank of Bikaner & Jaipur
4. State Bank of Mysore
5. State Bank of Travancore
6. State Bank of Saurashtra
7. State Bank of Indore

প্রাচলিত

All these banks were later merged with the State Bank of India in 2017, except for the State Bank of Saurashtra, which was merged in 2008 and State Bank of Indore, which was merged in 2010.

The main objectives behind the nationalization of the banks were as follows:

- Reduction in the regional imbalance of economic activities.
- To make the banking system reaches in hand of rural and semi-urban people.

- The aim was to bring a large area of economic activity within the organized banking system.

Later on, in the year 1993, the government merged New Bank of India with Punjab National Bank. It was the only merger between nationalised banks and resulted in the reduction of the number of nationalised banks from 20 to 19. Until the 1990s, the nationalized banks grew at a pace of around 4%, closer to the average growth rate of the Indian economy.

প্রাচলিত

Although banks penetrated in rural areas, but amount of credit extended to the weaker section of society was not satisfactory. In 1974 the Narasimham Committee went into these problems and recommended the establishment of regional Rural Banks (RRB) under the Regional Rural Banks Act, 1975. Banking in collaboration with central and State Governments, set up Regional Rural Banks in selected regions where the cooperative system was weak and where commercial banks were not very active.

At present, there are 43 RRB's in India. Here goes the list below:-

List of RRBs Functioning in India

Sr. No.	Name of Regional Rural Bank	Sponsor Bank
1	Andhra Pradesh Grameena Vikas Bank	State Bank of India
2	Andhra Pragathi Grameena Bank	Syndicate Bank
3	Arunachal Pradesh Rural Bank	State Bank of India
4	Aryavart Bank	Bank of India
5	Assam Gramin Vikash Bank	United Bank of India
6	Bangiya Gramin Vikash Bank	United Bank of India
7	Baroda Gujarat Gramin Bank	Bank of Baroda
8	Baroda Rajasthan Kshetriya Gramin Bank	Bank of Baroda
9	Baroda UP Bank	Bank of Baroda
10	Chaitanya Godavari Grameena Bank	Andhra Bank
11	Chhattisgarh Rajya Gramin Bank	State Bank of India
12	Dakshin Bihar Gramin Bank	Punjab National Bank
13	Ellaquai Dehati Bank	State Bank of India
14	Himachal Pradesh Gramin Bank	Punjab National Bank
15	J&K Grameen Bank	J&K Bank Ltd.
16	Jharkhand Rajya Gramin Bank	State Bank of India
17	Karnataka Gramin Bank	Canara Bank
18	Karnataka Vikas Grameena Bank	Syndicate Bank
19	Kerala Gramin Bank	Canara Bank
20	Madhya Pradesh Gramin Bank	Bank of India
21	Madhyanchal Gramin Bank	State Bank of India
22	Maharashtra Gramin Bank	Bank of Maharashtra

Sr. No.	Name of Regional Rural Bank	Sponsor Bank
23	Manipur Rural Bank	United Bank of India
24	Meghalaya Rural Bank	State Bank of India
25	Mizoram Rural Bank	State Bank of India
26	Nagaland Rural Bank	State Bank of India
27	Odisha Gramya Bank	Indian Overseas Bank
28	Paschim Banga Gramin Bank	UCO Bank
29	Prathama UP Gramin Bank	Punjab National Bank
30	Puduvai Bharthiar Grama Bank	Indian Bank
31	Punjab Gramin Bank	Punjab National Bank
32	Rajasthan Marudhara Gramin Bank	State Bank of India
33	Saptagiri Grameena Bank	Indian Bank
34	Sarva Haryana Gramin Bank	Punjab National Bank
35	Saurashtra Gramin Bank	State Bank of India
36	Tamil Nadu Grama Bank	Indian Bank
37	Telangana Grameena Bank	State Bank of India
38	Tripura Gramin Bank	United Bank of India
39	Utkal Grameen Bank	State Bank of India
40	Uttar Banga Kshetriya Gramin Bank	Central Bank of India
41	Uttar Bihar Gramin Bank	Central Bank of India
42	Uttarakhand Gramin Bank	State Bank of India
43	Vidharbha Konkan Gramin Bank	Bank of India

❖ Consolidation and liberalization Phase (1990 to till date):

By the time the decade of 1990s started, a number of problems were facing Indian economy. The situation had become extremely uncontrollable. Fiscal deficit was constantly growing, balance of payment situation had become extremely critical. There was pressure from the external sector for putting the domestic economy in order. The need for initiating radical structural reforms was being greatly emphasized. It was a period when policy measures were directed towards liberalization, privatization and globalization of the economy in selective phased manner. Financial sector reforms constituted an important component of the structural reforms. One of the most important policy initiative of this phase was the acceptance and implementation of many recommendations of far reaching implications for the financial sector, made by the Narsimham Committee. The biggest development was the introduction of Private sector banks in India. RBI gave license to 10

Private sector banks to establish themselves in the country. These banks included:

1. Global Trust Bank
2. ICICI Bank
3. HDFC Bank
4. Axis Bank
5. Bank of Punjab
6. IndusInd Bank
7. Centurion Bank
8. IDBI Bank
9. Times Bank
10. Development Credit Bank

Simultaneously, for strengthening the securities market, Securities and Exchange Board of India was set up (12 April, 1992) and given sufficient power to deal with various fraudulent practices and scams effectively. A few years later, Insurance Regulatory and Development Authority was set up (1999) to regulate and promote the insurance business on competitive lines.

The other measures taken include:

- Setting up of branches of the various Foreign Banks in India
- No more nationalisation of Banks could be done

- The committee announced that RBI and Government would treat both public and private sector banks equally
- Any Foreign Bank could start joint ventures with Indian Banks
- Payments banks were introduced with the development in the field of banking and technology
- Small Finance Banks were allowed to set their branches across India
- A major part of Indian banking moved online with internet banking and apps available for fund transfer

Thus, the history of banking in India shows that with time and the needs of people, major developments have been done in the banking sector with an aim to prosper it.

Generally, the supply, product range and reach of banking in India is fairly mature-even though reach in rural India and to the poor still remains a challenge. The government has developed initiatives to address this through the State Bank of India expanding its branch network and through the National Bank for Agriculture and Rural Development (NABARD) [12 July, 1982] with facilities like microfinance.

ACTS AND REFORMS IN BANKING SECTOR

As a part of the growing trend towards globalization and economic liberalization, various banking reforms and acts have been introduced in India to upgrade the health and financial soundness of banks and to improve the operation efficiency so that Indian banks can meet globally accepted performance standards.

The introduction of reforms in the banking sector was based on the commendations of different committees.

The committees that proposed the Banking sector reforms are as mentioned below:

- The first Narasimhan Committee – 1991
- The Verma Committee – 1996
- The Khan Committee – 1997
- The Second Narasimhan Committee – 1998

The reforms in the Banking Sector were done in two phases.

The first phase of the reform focused on improving the policy framework, institutional framework and financial health.

- Policy Framework improvement – this included deregulation of interest rates, reducing the Cash Reserve Ratio to the initial standard, phasing out Statutory Liquidity Ratio, widening the scope of priority sector lending by linking the lending rates to the size of advances.

- Institutional Framework improvement: this focused on recapitalization, strengthening the supervisory system and creating a competitive environment.
- To Improve the financial soundness of the banking sector certain prudent norms were prescribed and steps were taken to re-duct the proportion of NPAs.

The Second Phase of the banking sector reforms concentrates on reinforcing the very foundation of the banking system by rehabilitating the structure of the banking industry, development of human resources, and technological enhancements.

LIST OF IMPORTANT BANKING REFORMS AND ACTS:

Serial No.	Names of the Banking Acts and Reforms	Years
1.	Societies Registration Act	1860
2.	Negotiable Instrument Act	1881
3.	Indian Trusts Act	1882
4.	The Bankers' Books Evidence Act	1891
5.	Indian Stamp Act	1899
6.	Co-operative Societies Act	1912
7.	Provident Funds Act	1925
8.	Indian Partnership Act	1934
9.	The Reserve Bank of India Act	1934
10.	Insurance Act	1938
11.	Central Excise Act	1944
12.	Public Debt Act	1944
13.	International Monetary Fund and Bank Act	1945
14.	Employees' State Insurance Act	1948
15.	The Industrial Finance Corporation of India Act	1948
16.	The Banking Companies (Legal Practitioner Clients' Accounts) Act	1949
17.	The Industrial Disputes (Banking and Insurance Companies) Act	1949
18.	The Banking Regulation (Companies) Rules	1949
19.	The Banking Regulation Act	1949
20.	Chartered Accountants Act	1949
21.	Contingency Fund of India Act	1950
22.	The State Financial Corporations Act	1951

Serial No.	Names of the Banking Acts and Reforms	Years
23.	Employees Provident Fund and Miscellaneous Provisions Act	1952
24.	The Reserve Bank of India (Amendment and Misc. Provisions) Act	1953
25.	The Industrial Disputes (Banking Companies) Decision Act	1955
26.	The State Bank of India Act	1955
27.	Life Insurance Corporation Act	1956
28.	Companies Act	1956
29.	Central Sales Tax Act	1956
30.	The State Bank of India (Subsidiary Banks) Act	1959
31.	The Subsidiary Banks General Regulation	1959
32.	The Deposit Insurance and Credit Guarantee Corporation Act	1961
33.	Customs Act	1962
34.	Unit Trust of India Act	1963
35.	Limitation Act	1963
36.	Nationalization of Banks Act (However, the government decided to nationalize 14 major commercial banks on 19th July 1969)	1964
37.	Banking Laws (Application to Co-operative Societies) Act	1965
38.	Banking Companies (Acquisition and Transfer of Undertaking) Act	1969
39.	The Nationalized Banks (Management and Miscellaneous Provisions) Scheme	1970
40.	The Banking Companies (Acquisition and Transfer of Undertakings) Act	1970
41.	The Regional Rural Banks Act	1976
42.	Foreign Contribution (Regulation) Act	1976
43.	The Banking Companies (Acquisition and Transfer of Undertakings) Act	1980
44.	The Export-Import Bank of India Act	1981

Serial No.	Names of the Banking Acts and Reforms	Years
45.	The National Bank for Agriculture and Rural Development Act	1981
46.	Chit Fund Act	1982
47.	Sick Industrial Companies (Special Provisions) Act	1985
48.	Shipping Development Fund Committee (Abolition) Act	1985
49.	Banking Companies (Regulation) Rules	1985
50.	The National Housing Bank Act	1987
51.	SIDBI Act	1989
52.	SIDBI General Regulations	1990
53.	Securities and Exchange Board of India Act	1992
54.	The Special Court (trial of Offences relating to Transactions in Securities) Act	1992
55.	The Industrial Finance Corporation (Transfer of Undertakings and Repeal) Act	1993
56.	Recovery of Debts due to Banks and Financial Institutions Act	1993
57.	Debts Recovery Appellate Tribunal (Procedure) Rules	1994
58.	Industrial Reconstruction Bank (Transfer of Undertaking & Appeal) Act	1997
59.	Foreign Exchange Management Act	1999
60.	Insurance Regulatory and Development Authority Act	1999
61.	Prevention of Money Laundering Act	2002
62.	Fiscal Responsibility and Budget Management Act	2002
63.	The Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act	2002
64.	Industrial Development Bank (Transfer of Undertaking & Repeal) Act	2003

Serial No.	Names of the Banking Acts and Reforms	Years
65.	Credit Information Companies (Rules & Regulation) Act	2005
66.	Government Securities Act	2006
67.	The Banking Ombudsman Scheme	2006
68.	Factoring Act Rules	2011
69.	SARFAESI (Central registry) Rules	2011
70.	Securities Law (Amendment) Act	2014
71.	The Regional Rural Banks (Amendment) Act – Diluted the	2014

MERGER AND AMALGAMATIONS

To archive a higher level of efficiency and taking benefits of economics of scale, mergers and acquisition are increasing in the banking sector. The RBI has been encouraging the consideration process wherever possible, given the inability of small banks to complete with large banks which enjoy enormous economies of scale and scope. It is observed that most of the mergers and acquisitions are voluntary and market driven between the healthy and financially sound and based on profitability motive.

স্বাভাবিক

Amalgamations in post 2000s: SBI merged with its associate bank State Bank of Saurashtra in 2008 and State Bank of Indore in 2009.

Following a merger process, the merger of the 5 remaining associate banks, (viz. State Bank of Bikaner and Jaipur, State Bank of Hyderabad, State Bank of Mysore, State Bank of Patiala, State Bank of Travancore); and the Bharatiya Mahila Bank) with the SBI was given an in-principle approval by the Union Cabinet on 15 June 2016. This came a month after the SBI board had, on 17 May 2016, cleared a proposal to merge its five associate banks and Bharatiya Mahila Bank with itself.

On 15 February 2017, the Union Cabinet approved the merger of five associate banks with SBI. The merger went into effect from 1 April 2017.

On 17 September 2018, the Government of India proposed the amalgamation of Dena Bank and Vijaya Bank with erstwhile Bank of Baroda, pending (namesake) approval from the boards of the three banks. The Union Cabinet and the boards of the banks approved with the merger on 2 January 2019. The amalgamation became effective from 1 April 2019.

On 30 August 2019, Finance Minister announced that the Oriental Bank of Commerce and United Bank

Serial No.	Names of the Banking Acts and Reforms	Years
	sharing pattern by limiting the composite share of Central Government and sponsor bank to 51%	
72.	The Insurance Laws (Amendment) Act- pushed FDI limit to 49%	2015
73.	The Companies Act (Amended) (legislated in 1956)	2015

of India would be merged with Punjab National Bank, making PNB the second largest PSB after SBI with assets of ¹ 17.95 lakh crore (US\$240 billion) and 11,437 branches. The Union Cabinet approved the merger on 4 March 2020 and consequently, the merged entity has started functioning from 1 April 2020.

On 30 August 2019, Finance Minister decided to merge the Syndicate Bank with Canara Bank. The proposal would create the fourth largest PSB trailing SBI, PNB, BoB with assets of ¹ 15.20 lakh crore (US\$200 billion) and 10,324 branches. The Board of Directors of Canara Bank approved the merger on 13 September 2019. The Union Cabinet approved the merger on 4 March 2020. Canara Bank assumed control over Syndicate Bank on 1 April 2020.

On 30 August 2019, Finance Minister planned to merge Andhra Bank and Corporation Bank with Union Bank of India. The proposal would make Union Bank of India the fifth largest PSB with assets of ¹ 14.59 lakh crore (US\$190 billion) and 9,609 branches. The Board of Directors of Andhra Bank approved the merger on 13 September. The Union Cabinet approved the merger on 4 March, and it was completed on 1 April 2020.

On 30 August 2019, Finance Minister nodded for the merger of Allahabad Bank with Indian Bank. The proposal would create the seventh largest PSB in the country with assets of ¹ 8.08 lakh crore (US\$110 billion). The Union Cabinet approved the merger on 4 March 2020. Indian Bank assumed control of Allahabad Bank on 1 April 2020.

Nationalized Banks (Government Shareholding%, as of now)

1. State Bank of India (55%)
2. Bank of Baroda (64%)
3. Canara Bank (69.33%)
4. Punjab National Bank (73.1%)
5. Indian Bank (78.86%)
6. Union Bank of India (83.5%)
7. Bank of India (90.34%)

স্বাভাবিক

- 8. Central Bank of India (93.08%)
- 9. Bank of Maharashtra (93.33%)
- 10. UCO Bank (95.39%)
- 11. Indian Overseas Bank (96.4%)
- 12. Punjab and Sind Bank (98.07%)

প্র্যাচিভর্ক্স

Limited (DBIL) to take over the operations of the private sector bank Lakshmi Vilas Bank whose net worth has turned negative, following mismanagement and two failed merger attempts with NBFCs.

প্র্যাচিভর্ক্স

CONCLUSION

It is clear that Indian Banks are operating in an increasingly competitive Environment. Indian banking system is gradually on the footprints of other developed countries. But, majority of the Indian citizens, especially, in the rural areas are still not dependent on the banks to keep their saving rather they prefer illicit ways to do the same. This is due to illiteracy and conservative thoughts about tax evasion. There is still a long way to go to place the Indian economy on the driver's seat by the means of Indian banking.

Public Sector Payments Banks

- 1. India Post Payments Bank

Reconstruction of private banks

In April 2020, RBI enlisted SBI to rescue the troubled lender Yes Bank, in from of investment with assistance from other lenders viz., ICICI Bank, HDFC Bank and Kotak Mahindra Bank. SBI went on to own 48% share capital of Yes bank, which it later diluted to 30% in an FPO in following months.

In November 2020, RBI asked DBS Bank India

PRODUCTS LAUNCHED BY VARIOUS BANKS

Product	Launched by	Aim
'bob World'	Bank of Baroda	The platform will be rolled out in phases, under four key pillars of Save, Invest, Borrow and Shop.
'WisePOSGo' POS Device	Karnataka Bank	The 'WisePOSGo' is a one-step forward by Karnataka Bank in the direction of the digital payment infrastructure of India.
'Pulse'	PhonePe	The 'Pulse' website will provide details about the evolution of Digital Payments in India.
'ANANDA' Mobile App	LIC	To register new LIC policies. Only non-medical will be passed through the app.
'Freo Save'	Saving Account by FREO	To maintain better credit scores and offers world-class customer support service.
'SBI Life eShield Next'	SBI Life Insurance	In this, the absolute amount assured on death will increase by 10% p.a. (simple) of the basic sum assured at the end of every 5th policy year, subject to a maximum increase of up to 100% of the basic sum assured.
Amazon Web Services (AWS)	RBL Bank	To strengthen its AI-powered banking solutions and will provide a digital transformation to its banking structure by adding digital value to the bank's offerings, saving costs, and enhanced security.
'Equitech'	Equitas Small Finance Bank	It will provide legal and regulatory mechanism support to Indian startups through expert solutions and venture capitalists.
'Digital Prayaas'	Small Industries Development Bank of India (SIDBI)	It is launched with an objective to sanction the loan to the low-income group's entrepreneurs by the end of the day i.e. fast delivery of loan.
'Health and Wellness Savings Account'	Suryoday Small Finance Bank (SSFB)	The account offers top-up health insurance of Rs 25 lakhs, an annual healthcare package, and on-call emergency ambulance medical care services.

Product	Launched by	Aim
'SWIFT Go' Service	Society for Worldwide Interbank Financial Telecommunication (SWIFT)	It will allow seamless Low-Value Cross Border Payments facility anywhere in the world through their bank accounts
'Arogya Rakshak' Health Insurance Plan	Life Insurance Corporation of India (LIC)	It is a non-linked, non-participating, regular premium-based, individual health insurance policy.
'Arogya Supreme'	SBI General Insurance	It offers customers full health insurance coverage which includes 20 basic covers and 8 optional covers.
'MandateHQ'	Razorpay and Mastercard	The 'MandateHQ' is a payment interface which help card-issuing banks to enable recurring payments for their customers.
'Postpaid Mini'	Paytm and Aditya Birla Finance Ltd.	To pay their monthly expenses like mobile and direct to home (DTH) recharges, gas cylinder booking, electricity and water bills shop on Paytm Mall and more.
'Salaam Dil Sey' Initiative'	HDFC Bank	To the doctors for their tireless service during the pandemic and are fighting bravely with the pandemic by risking their lives. It pays a tribute to the doctors of India.
'Salute Doctors'	ICICI Bank	The solution will prove beneficial to a medical student, senior medical consultant, an owner of a hospital or a clinic.
'Pay Your Contact'	Kotak Mahindra Bank Ltd	The feature thus makes payment transactions easy and simple and it is associated with high security.
NR Savings Account Scheme for the Seafarer Segment	Federal Bank	The services under the schemes are integrated into the digital platform so that digital banking under the schemes can be performed by the mariners.
Healthcare Credit, Business, & Personal Loans	Canara bank	The bank has launched healthcare credit, business, and personal loan schemes to its customers.
ABSLI Vision Life Income Plus Plan	Aditya Birla Capital Limited (ABCL)	The flexible bonus pay-outs can be accumulated for wealth creation or withdrawn at the customer's convenience for instant access to their money.
IPOS (Integrated Partner Onboarding Solution)	Edelweiss General Insurance (EGI)	The IPOS is an industry-first digital end to end partner onboarding solution. It was launched to offer to digitise support to partner's journey in an efficient manner.
Exide Life Guaranteed Wealth Plus	Exide Life Insurance Company Limited	It offers continuous life cover throughout the income payout period with up to 350% guaranteed returns.
Digigold	Airtel Payments Bank	To launch this platform, Airtel Payments Bank has collaborated with SafeGold which is a provider of digital gold.
'I choose my number'	Jana Small Finance Bank	To choose their favourite numbers as the last 10 digits of their bank account, savings or current.
'Eva' Chatbot	HDFC Bank and CSC	The chatbot will support Village Level Entrepreneurs (VLEs) by providing them banking services.
'Merchant Stack'	ICICI Bank	It will prove highly beneficial to grocers, supermarkets, large retail store chains, online businesses and large e-commerce firms.

Product	Launched by	Aim
'ConQR'	Mastercard and Bank of Baroda Financial Solutions (BFSL)	The 'ConQR' is a Mastercard QR on card solution which is launched to offer simplicity to perform digital transactions.
'PNB@Ease'	Punjab National Bank (PNB)	Customers themselves can make every transactions undertaken by the branch of the bank.
'Rewards123'	Airtel Payments Bank	To the digital customers as it offers various perks on digital transactions.
'UNI-CARBON CARD'	Union Bank of India	This card will create an opportunity to add the value of benefits to the bank's customers.
KBL Smart Trade	Karnataka Bank in partnership with IIFL Securities Limited	To allow the customers of Karnataka Bank to access IIFL Securities Demat and Trading account solution to serve their capital market needs.
'Wear N Pay'	Axis Bank	This range of devices linked to the customers' bank account and thus perform like a regular debit card.
'Yes Essence'	Yes Bank	To the women who belong to various segments like homemakers, salaried professionals, entrepreneurs and senior citizens.
'SmartUp Unnati Mentoring Programme'	HDFC Bank	To support women entrepreneurs. It was launched to mark the celebrations of International Women's Day.
'Business Kisht Suraksha'	HDFC Ergo General Insurance	To reduce the negative impacts on balance sheets which occur due to non-payment of EMIs by the borrower, or due to natural calamity like earthquake, cyclones and floods.
'Namma Chennai Smart Card'	ICICI Bank	To help the user to have a one-stop solution for making all kinds of payment transactions.
Krishi Sakha App	Bharti AXA General Insurance	The app will provide farmers with the proper guidance of best farming techniques which they can adopt in their farms and thus increase yields.
FedFirst	Federal Bank	Saving Account will help children to know the money management process and the importance of money.
'AURA' Credit Card	Axis Bank	To launch this card with exclusive benefit features, Axis Bank has partnered with Poshvine, Decathlon, Practo, Fitternity, IndushealthPlus, IMG etc.
'InstaFX'	ICICI Bank	To help the customers of any bank to get 'ICICI Bank Forex Prepaid Card' swiftly.
'RuPay PoS'	RuPay and RBL Bank	To have the transformation of smartphones to payment accepting terminal, the user has to update the PayNearby App.
'Unicas'	United Kingdom in partnership with United Multistate Credit Co-operative Society Ltd of India	To perform transactions in cryptocurrency and fiat from one account to the other.
'Infinite India'	ICICI Bank	For coordinating with multiple touchpoints thus making hassle-free ease of doing business to the foreign companies in India.

Product	Launched by	Aim
'Pioneer Heritage Credit Card'	IndusInd Bank partnered with Mastercard	For fulfilling the requirements of affluent Indian professionals and entrepreneurs.
'DakPay'	Department of Posts (DoP) and India Post Payments Bank (IPPB)	To provide Digital Financial inclusion in India.
'AceMoney Micro ATM Service'	ICICI Bank	To place the order for cash withdrawal by this 'Ace Money Micro ATM service', the customer will have to use the AceMoney app.
'iMobile Pay'	ICICI Bank	To offer payments and banking services to customers of any bank.
'Axis Bank Rupifi Business Credit Card'	Axis Bank in partnership with Rupifi and Visa	To explore its opportunity and expand its business in MSMEs.
Asset Restructuring Web Module	SIDBI and ISARC	To get benefits of RBI's MSME restructuring guideline.
SMS Pay Function	Yes Bank and Wordline	To perform contactless and remote payment transactions in a safe and secured manner.
'Muthoot Gold Shield'	Muthoot Finance and Bajaj Allianz General Insurance	To provide insurance to the customers on gold jewellery.
ICICI Bank Cardless EMI	ICICI Bank and Pine Labs	ICICI Bank has become the first bank to launch a digital payment mode option for a cardless EMI facility at retail stores.
YES Bank Neokred Card	Yes Bank and Neokred Technologies	It will help to make cashless payment transactions.
'Mooh Band Rakho Campaign'	HDFC Bank	To protect every citizen from cyber frauds.
'Eva'-- Unique Saving Account for Women	Equitas Small Finance Bank (ESFB)	It also offers free health check-up and unlimited tele-consultation with women doctors, gynaecologists and mental health experts.
'CancerSendsNo Notification' Campaign	Bharti AXA General Insurance Company	National Cancer Awareness Day which is observed on 7th Nov.
'Smart Drive Private Car Insurance'	Airtel Payments Bank and Bharti AXA General Insurance	This insurance policy offers compensation for injury or damages caused to another person or property due to a car accident.
'ICICI Bank Mine'	ICICI Bank	To provide a simple, secured and customized banking solution to the millennial customers of ICICI Bank.
'Visa Direct'	RBL Bank and Visa	To domestic transactions and benefits programme like refunds, card bill payments, cashback and disbursements through Visa Direct.
'HealthyLife Programme'	HDFC Bank and Apollo Hospitals	To make a healthy life easily accessible and affordable to the customers of HDFC Bank.
Debit Card Facility	ICICI Bank and Visa	Customer can make use of this card to make payments through POS (Point of Sale) and online transactions by making use of sanctioned LAS account.

Product	Launched by	Aim
Refinance Scheme	NABARD	The special refinance facility of Rs 800 crore for FY 2020-21 has been sanctioned by NABARD for WASH (Water, Sanitation and Hygiene) programme.
'Digital Suraksha Group Insurance'	Flipkart and Bajaj Allianz	This insurance cover allows customers to protect themselves from finance frauds like cyber-attacks and other malicious activities.
'i-Lead 2.0'	Canara Bank	To offer banking services seamlessly to its customers irrespective of where their customers reside.
'Positive Pay System'	Reserve Bank of India	For Cheque Truncation System (CTS). For this purpose, RBI has issued a directive under Section 10 (2) read with Section 18 of the Payments and Settlement System Act 2007.
Kona Kona Umeed	Kotak Mahindra Bank	It is a 2-month campaign which provides offers and discounts to make banking and shopping more rewarding.
'Jan Bachat Khata (JBK)'	Fino Payments Bank Ltd	It is an adhaar Authentication-based digital savings Account that brings neo-banking experience to customers.
Insta Click Savings Account	Bank of Baroda	The aim behind launching this 'Insta Click Savings Account' is that BOB is working to digitize its all work by 2023 and become 100% paperless.
'Bhavishya' Saving Account	Fino Payments Bank Ltd	<ul style="list-style-type: none"> The 'Bhavishya' Saving Account is launched for the minors who are in between the age group of 10-18 years. This saving account is launched with an aim to inculcate banking and saving habits in children.
Liberty Saving Account	Axis Bank	The Liberty Saving Account will address the need of the youth and digitally interested Indians like changing lifestyles and hospital cash insurance covers.
mpay.me	MobiKwik	It will allow the user from any UPI payment app to send and receive money
5T Plan	Delhi Government	The resemblance of 5T: Testing, Tracking, Treatment, Teamwork and Trackling.
'IB-eNote'	Indian Bank	'IB-eNote' helps to improve turnaround time, saves the cost of papers, reduces printing costs and also other administrative expenses.
'Ind Guru'	Indian Bank	It provides skill development and cross-functional learning to the employees of the Indian Bank.
'Signature Visa Debit Card'	Bank of India	This Card is for those people who are maintaining an average quarterly balance of Rs 10 lakhs and above.
'nth Rewards'	National Payment Corporation of India (NPCI)	It offers infinite possibilities of earning to the users through bank transactions and redeem instantly with the help of e-vouchers, donations, hotel and flight bookings.
'Paytm All-in-One Portable Android Smart POS'	Paytm	This will offer a digital platform to many SME's in the country.
'KBL Micro Mitra'	Karnataka Bank	A new financial support product for Micro Small and Medium Enterprises (MSME).

Product	Launched by	Aim
'Yuva Pay'	Yes Bank and UDMA Technologies	Yuva Pay is a digital wallet solution.
'Digital Apnayan'	Punjab National Bank	To encourage customers to prefer digital banking system
iStartup 2.0	ICICI Bank	The 'iStartup 2.0' will help the startups and entrepreneurs in the requirements like regulatory assistance, analytics, acquisition, staffing, accounting and digital platform for its customers and in all other banking and allied activities
'Apna Ghar Dreamz' Home Loan Scheme	ICICI Home Finance	<ul style="list-style-type: none"> The scheme is launched for skilled labourers like electricians, mechanics, painters, grocery store owners etc. in the informal sector of Delhi.
		<ul style="list-style-type: none"> The credit amount under 'Apna Ghar Dreamz' loan scheme ranges from Rs 2 lakh to Rs 50 lakhs.
Suraksha Salary Account for MSME's	Airtel Payment Bank	With the help of this account, MSME and other organisations will be able to make cashless payments and provide financial security to their employees
SARAL Affordable Housing Scheme	ICICI Home Finance	<ul style="list-style-type: none"> This scheme to finance homes in rural and urban areas of India.
		<ul style="list-style-type: none"> Maximum limit of loan is Rs 35 lakhs with an interest rate starting from 7.98%.
Insta FlexiCash	ICICI Bank	It is an online overdraft facility (OD) by which customers can get approval for OD instantly with a paperless manner.
Special Borrowing Scheme for SHGs	Indian Overseas Bank	In this scheme, each member of SHG will be able to avail of a loan of Rs 5000/- with a cap of Rs 1 lakh for the group.
'Vikas Abhaya'	Karnataka Vikas Grameena Bank	It is a loan scheme to provide some relief to Micro, Small, and Medium Enterprise (MSME) borrowers.
Voice Baking Services	ICICI Bank	It has started a voice baking services on Amazon Alexa and Google Assistant for its customers
'iTurmeric Fincloud' Platform	Intellect Design Arena Ltd. and IBM	It will ensure that systems in the banks and financial institutions are operating in isolation or parallel with core legacy systems
'MSME Prerana'	Union Minister of Finance and Corporate Affairs, Nirmala Sitharaman	It is an online business mentoring programme for MSMEs providing help to develop the businesses in the areas like Business skills, Communications, Human Resources etc.
'Home Utsav'	ICICI Bank	This product will digitally showcase the real estate properties and projects from various sites of India.
eBkray	Union Finance Minister, Nirmala Sitharaman	For transparent and clean online auction by banks of an attached asset, for the improved realisation of value
Co-branded Multi-Currency Card	ICICI Bank	Customers can use one card for multiple currencies and enjoy discounts on flights and hotel bookings.
Green Car Loan	State Bank of India	<ul style="list-style-type: none"> To encourage customers to buy electric vehicles (EVs) in the country
		<ul style="list-style-type: none"> The interest rates on the loan will be 20 basis points (0.2 per cent) lower than SBI's existing auto loans