

BANKING DEVELOPMENT IN INDIA FROM CLASS BANKING TO MASS BANKING

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ABSTRACT

Banking industry in India has made remarkable progress since independence .It has undergone a major transformation from class banking to mass banking. Then major cities Indian banking system has made remarkable progress since our independence 15th August 1947. In British banking system joint stock companies were doing banking business were many in numbers then, they were mostly concentrating in major cities and provincial head quarters. There was no uniform law governing the banking activities in Independent India.

KEYWORDS: *Banking Industry, System Joint Stock Companies, Banking Business, Banking Activities.*

Introduction

The evolution of Indian banking system as an instrument of economic change started when the planning era was ushered in during fifties. The first step in this direction was the nationalization of imperial bank of India in 1955. The Central Government entered the banking business with the nationalization of the Imperial Bank of India in 1955. A 60% stake was taken by the Reserve bank of India and the new bank was named as the State Bank of India. The seven other state banks became the subsidiaries of the new bank when nationalised on 19 July 1960. The next major nationalization of banks took place in 1969 when the government of India, under Prime Minister Indira Gandhi, nationalised an additional 14 major banks. The total deposits in the banks nationalised in 1969 amounted to 50 crores. This move increased the presence of nationalised banks in India, with 84% of the total branches coming under government control. The next round of nationalisation took place in April 1980. The government nationalised six banks. The total deposits of these banks amounted to around 200 crores. This move led to a further increase in the number of branches in the market, increasing to 91% of the total branch network of the country. The objectives behind nationalisation were:

- To break the ownership and control of banks by a few business families,
- To prevent the concentration of wealth and economic power,
- To mobilize savings from masses from all parts of the country.

Rapid strides were made by the public sector banks in extending banking facilities to the rural areas .A large number of unbanked centre appeared on the banking map of the country. Efforts were made to identify the centers for branch opening and also preparing district level credit plan. The experiment made by banking industry in India is indeed unique and has no parallel in the banking history of more than two hundred years.

A number of innovations were made in the field of social banking .To cater the needs of rural economy the regional rural banks have been sponsored since 1975.

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Banking Scenario Around 1857

When Mangal Pandey raised the banner of revolt against the British in March 1857, the British owned bank, North Western Bank of India was functioning in Meerut. It was established in 1835 at Massoorie, and the headquarters was shifted to Meerut in 1847. In Delhi where Bahadur Shah Jafar ruled, a less known Bank of India was operating since 1844. Shimla which rose to prominence as the summer capital much later, was having Shimla Bank. The first war of independence was fought at three centers outside the war zone were emerging as import banking centers - Calcutta, Bombay, Madras. The objectives of these banks also narrowly confined to facilitating trading activities. Banks were promoted mostly by the British either from civil or military service. By inference perhaps, they were also the major beneficiaries of these banks.

Banking Scenario in 1947

When India emerged as an independent nation, it inherited a war-torn economy beset by shortage of food grains, unemployment and the pangs of partition. The banking system with its shareholder orientation, was not well organized. The number of banks in existence then was 648, an unwieldy number not amenable for closer monitoring and control. The total number of bank branches in India was 4263 in 1949 till bank nationalization in 1969. A significant transformation of the Indian banking sector took place from 1969. One of the main objectives of the bank nationalization was to extend the credit facilities to all segments of economy and also to mitigate the regional imbalances in its availability. The lead bank scheme was introduced in 1970 assigning the responsibility of developing banking activities in the District allotted to each of the nationalized banks.

According to the recommendation of Narasimhan Committee, Regional Rural Banks were established in selected regions to extend credit facilities to these target groups, on the basis of the Regional Rural Banks Act 1975. The first regional rural bank was opened on 2nd Oct 1975 at Moradabad in Uttar Pradesh sponsored by syndicate bank. The number of branches operating at the end of March 1997 rose to 63536.

The banking system in India has come a long way during the last two centuries. Its growth was faster and the coverage wider since 1969. Traditional banking has gradually yielded to sophistication in credit management. The customer base of the Indian banking system is very large, perhaps one of the largest in the world with the rapid growth in the deposit accounts. Customer satisfaction has become a major casualty. The foreign banks are reported to have prescribed the minimum deposit amount at a fairly high level to give a touch of class banking to their operation. But our nationalized banks have prescribed the minimum deposit amount at a fairly low level to give a touch of mass banking. Now our banks are providing many types of accounts opening facilities such as no-frill accounts, current accounts and saving bank accounts, according to the needs of customers. The objective of the Indian Government is to facilitate banking facilities to maximum population of the country. There is a need for improving and upgrading the work culture to come up with the growing volume of business transactions. Banking system contribution for the implementation of Government economic and welfare policies is much appreciable. Our banks provide credit facilities to small and tiny entrepreneurs. They also facilitate industrial finance in close association with the term lending institutions, such as I.D.B.I., I.C.I.C.I., I.F.C.S., S.I.D.B.I. etc.

Graduating from traditional banking our banking system has matured into a hybrid banking system capable of delivering the credit needs of heterogeneous groups of borrowers. It combines the sophistication of computerized lending and rustic retailing of rural credit. It has maintained the rich tradition. It has also built up people. It has carried the tradition to reach the mass population from class population. The transition from class banking to mass banking due to financial inclusion and increased customer focus is drastically changing the landscape of Indian banking. There is still a lot of potential for retail banking expansion. In India retail assets accounted for 22% nearly of total banking assets and contribution of retail loans to G.D.P. stood at 6% nearly in India and 15% in China.

Nowadays global banking industry is facing a lot of challenges. The Indian economic environment marked by a slower G.D.P. growth, depressed capital market and higher interest rate. The growth of Indian economy is steady. The good news for our economy is that we are expanding middle class from 250 to 300 million people. With the efforts of present Government 60% population of population has access to banks. Only 15% of them have loan accounts and nearly 70% of farmers have no access to formal sources of credit. There is immense potential for banking system.

Priorly social banking was motivated by the objectives of banking for the people who have not bank accounts to dethrone the prevalent money lenders . In the wake of first and second wave of nationalization of banks laid the strong foundation for a strong financial system . India is a country of masses not classes .It is the country where fortune at the bottom of the pyramid was coined out lead by example by numerous corporate and business houses in all the public sector banks (Mass banking) QAB is a mere 1000 INR where as for the private (class banking) banks. The date is as for I.C.I.C.I and H.D.F.C., it is 10,000 I.N.R.

So these banks have limited themselves in service , they have selected the upper portion of the pyramid to serve which is more easier for employees less hassles and more importantly customers with bigger pockets. The products are identical, the bigger mass banking banks provide all the services but at the cheaper cost to a large number of people most importantly to the masses of India .some people get to touch their first ATM cards, through these banks, which is a great cause serving the society or sowing a selected portion of society. According to the report of R.B.I. commercial banks deposits were 3075224 cores was in march 2008. The bank credit is growing at 30% per annum.

Banking tale banking, bio metrics and mobile A.T.M.S are taking place. A large number of banks have launched mobile banking solutions in collaboration with service providers.An opening of new branches and technical above may not be sufficient to meet our social needs. The needs to be integrated in the banking expansion strategy it self .As the first step the central Government has asked all the commercial and regional rural banks to add at least 250 accounts of house holds every year. It has also asked private and foreign banks to work towards adopting states and villages to achieve 100% financial inclusion. This is a good symbol to prepare Indian banks for serving classes to masses.

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