

Hello students, in today's session we're going to cover the Origin of Modern Banking the second part.

Outline for today's session:

1. Post Nationalization period.
 - a. Before LPG and after LPG.
2. The modern phase.
3. The banking reforms in 2019, and
4. The conclusion.

After completing this session, you would be able:

1. To describe the era of modern banking after independence.
2. To describe the history of modern banking in India.

Post Nationalization period:

Before LPG:

We have seen that after independence the two major banks which got nationalized in the year 1949 was the RBI and in 1955 was SBI. Then the first phase of nationalization took place in 1969, 14 banks got nationalized with the national deposit more than 50 crores. These were the 14 banks which got nationalized:

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

Even after nationalizing 14 more banks, the rural sector was not taken into consideration nor the priority sector of the country, so in 1975, RRB was established. The Regional Rural Banks were established to extend the amount of credit to the rural section of this society.

The second phase of nationalization took place in the 1980s, more 6 banks got nationalized and the lending to the priority sector was also increased to 40%. These were the six banks which got nationalized:

1. Andhra Bank,
2. Corporation Bank,
3. New Bank of India,
4. Oriental Bank of Commerce,
5. Punjab and Sind Bank and
6. Vijaya Bank.

After LPG:

In the year 1991, Indian economy was open from closed economy to mixed economy and with the reforms of LPG that is Liberalization, Privatization and Globalization, a lot of changes took place. The years after 1991 witnessed tremendous growth in the process of development of banks with deliberation of economic policies.

RBI gave license to 10 private entities which include:

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 and
10. Development Credit Bank.

The modern phase:

Since then, reforms have taken place, mergers have taken place, but today we are in the modern phase that is the new generation of tech savvy banks where everything has gone digitalized and we can call it the reforms phase.

The banking reforms in 2019:

Recent reforms in the banking sector were in 2019, where the Government of India rolled out the third round of bank merger plans in September 2019 to strengthen the role of the public sector banks. It was decided to merge 10 public sector banks into a total of four banks. So as to create three to four global sized banks. So that they can reduce the number of public sector banks in the country and it helps them to monitor this limited number of banks. With this merger large capital base was raised in the economy.

The mergers were to be completed by April 2020, as a part of the merger, selected acquirer banks were to take over allotted banks as follows:

- Punjab National Bank took over Oriental Bank of Commerce and United Bank of India.
- Indian Bank took over Allahabad bank.
- Canara Bank took over Syndicate Bank; and
- Union Bank of India took over Andhra Bank and Corporation Bank.

Conclusion:

Banking in India has matured over the years in terms of growth. The reforms which have taken place in their supply, product, range and reach to the whole nation have also grown, but it's a challenge for the private sector and foreign banks. To reach the rural sector of India as SBI has covered the major part of the whole nation.

These are the references.

Thank you.