

The industrialisation of the country by catering

[Business](#), [Industries](#)



THE NEEDS AND OBJECTIVES OF NATIONALISATION The Need: Until its nationalisation in 1955, the State Bank of India, called Imperial Bank before nationalisation was the only financial institution which was owned by the government.

The idea of nationalisation of privately owned commercial banks came about since they were not working towards the collective goal of industrialisation of the country by catering to the social and developmental goals. Access to credit in rural areas and for small scale borrowers remained a distant dream even with enactment of Banking Regulations Act of 1949 and nationalisation of SBI in 1955. Instead, large industries and established business houses were favoured by all banks. The process of nationalisation took place in 2 phases one in 1969 with the nationalisation of 14 banks and the next phase in 1980 covering 8 banks.

Currently there are 27 nationalised banks. Another reason was the failure of 361 private banks across the country in the period 1947 to 1955. The depositors in these banks ended up losing all their money with no guarantee of any sort being provided for them.

The Objectives: The 5 most important objectives of nationalisation of banks as outlined in the parliament on July 21 1969 were:

- Social welfare: Need of the hour was to channel funds to people in need.
- Control of private monopoly: Many banks were controlled by established businesses and families. This needed to be controlled.
- Expansion of banking services: More branches in rural areas.

- Develop banking habits: Develop banking habits among rural sectors. Priority sector lending: Agriculture was deemed to be the most important sector in the Indian economy. Hence it was made sure that this sector got more importance when it came to disbursing credit.

ACHIEVEMENTS The banking system in India has greatly improved and also progressed appreciably after nationalization of banks in 1969. The major achievements post-nationalization period are given below: Development of the Banking Industry Lead-bank scheme: All the districts in the country are allotted to State Bank Group, private Indian banks and nationalized banks. The lead bank is given the role of an agent of economic development in the state through expansion and diversification of credit facilities in the district. Branch Expansion: It has been found that there has been a very impressive expansion of bank branches after the nationalization of major banks in 1969. Coverage in Rural Areas: The main thrust of bank expansion policy in the post nationalization period has been on increasing the bank facilities in rural areas. Reduction of regional imbalances: A big impact/highlight of the branch expansion policy since the nationalization of banks have been to extend the banking facilities in the deficit and unbanked areas and to reduce the overall regional imbalances.

Expansion of bank deposits: Ever since the nationalization of banks, there has been a clear significant increase in the deposits on commercial banks. Credit Expansion: The expansion and increase of bank credit facilities has also been greater in the post-bank nationalization time period. Investment in Government Securities: After nationalization, there has

been a steady increase in the investment for the banks in government and other securities and bonds which increased from Rs. 1727 cr in March 1970 to Rs.

1738236 cr in 2011. Financing of Priority Sectors: Some sectors have been differently classified as priority sectors so as to increase the impacts on those particular sectors and it has shown clear development in those sectors. Agricultural finance: The proportion of credit has grown from 5.4% in 1969 to 16.6% in 2011.

Export Promotion: The nationalization of commercial banks have given a rise in export promotion. Housing Finance: Another priority sector - Housing finance. The public sector banks have played a crucial role in this particular area. Kisan Credit Card Scheme: This policy has gained popularity and implementation has been taken up by 27 commercial banks, 334 central cooperative banks, and 187 regional rural banks up to December 2000.

The number of cards increased from 6.1 lakhs by March 1999 to 878.30 lakhs by November 2009. ECONOMIC IMPACTS OF NATIONALISATION OF BANKS IN 1969 IN INDIA Nationalisation of banks of India in 1969 was a historic step taken by the then Prime Minister of India, Indira Gandhi so as to control private monopolies and uplift the sections of society which were in need at that time.

Though the benefits of Nationalisation of banks was not much evident during the introductory period, it was found later that this government policy has

helped India grow economically. This has helped Indian agriculture and small village industries to develop economically. Also, the allocation of funds in corporate families and private business houses was controlled through this reform. Moreover the Nationalisation of banks has helped in expansion of banking in India during those times when the number of banks that were available during time were limited compared to the population and needs of the country.

The coming years witnessed expansion and branching of these banks penetrating the rural and sub-urban India. Further, Nationalisation of banks were a driving force by which people started using banking services more effectively as money in the hands of government meant much more reliable than the previous scenario. Several schemes were implemented, one being Lead Bank Scheme (1969).

After Nationalisation there was a huge progress in commercial banks of India. The economic impacts of Nationalisation of Banks in 1969 still remains a debated one. The historical implications states that it was not successfully implemented during that time which led to disappointment in terms of the achievement targeted milestones which were set back then. RESULTS TODAY After the nationalization phenomenon started in India following changes started. There was no barrier be it be economic or social between customers and bankers, this led to a massive explosion of customer base, also banks focused to improve the services rendered. Another after effect is the expansion or growth even to the deep rural areas without

the concern for profit, this in a way created many employment opportunities benefitting the society.

There has been a substantial increase in the number of branches of the bank keeping in mind the rural and semi urban customers. The benefits of Nationalization are reaped even today in the form of banking services. Also, all credits go to nationalization of banks for the fast recovery from 2007 financial crisis. **CONCLUSION** Nationalised banks in India work to provide social welfare to the public. They work to direct the funds to the underprivileged and various sectors such as agricultural sector and small industries for their economic development since these are the sectors that contribute mostly to the national income.

Nationalised banks in India help to control the private monopolies and also help in reducing the regional discrepancies. They work to provide banking facilities to the major rural areas of the country. A major criticism about nationalisation was that some banks were not nationalised so that the businessmen may not have suffered. The government contended that the nationalised banks had maximum deposits with them and the other banks were not in a position to influence the economy of the country. But there was a need to have complete control over the banks in order to expand the economy. After the independence, when the people of India were deprived of banking facilities especially in the under developed regions of the country, it was the nationalised banks that worked to escalate the banking facilities across the country.

The results of nationalisation of banks in India can be summarized as follows:

Ø After nationalisation, the banking industry in India has made major progress and provides banking facilities to every part of the country. Ø The public sector banks have played a major role in organizing, saving and extending credits mostly in favour of the weaker sections of the society. Ø It has aroused the need for using banking services among the rural and remote areas of the country. Ø It has helped in the quick transfer of funds from one place to another.

Ø It has provided employment opportunities for the educated youth of the country. Ø It has made credit available to the people such as agricultural labours and small traders at low interest rate. Ø It has helped to free the rural poor from the hands of the lenders. Ø It ensured the supply of credit to many industrial activities. Ø It has ensured the use of funds for appropriate and desirable purposes in the society.

Ø It has helped to remove regional difference in the economic development. Ø It has helped in the implementation of various welfare measures by the government.