

Banking in India

1. The Reserve Bank of India was established on 1st April, 1935 and it was nationalized on 1st January, 1949.
2. The Finance Ministry issues Currency Notes and Coins of rupee one, all other Currency Notes are issued by the Reserve Bank of India.
3. The first bank of limited liability managed by Indians was Oudh Commercial Bank founded in 1881. Subsequently, Punjab National Bank was established in 1894.
4. Swadeshi movement, which began in 1906, encouraged the formation of a number of commercial banks.
5. The Banking Companies Act was passed in February 1949, which was subsequently amended to read as Banking Regulation Act, 1949.
6. Commercial banks mobilise savings in urban areas and make them available to large and small industrial and trading units mainly for working capital requirements.
7. The Indian banking system consists of commercial banks, both in public and private sector, Regional Rural Banks (RRBs) and cooperative banks.
8. As on June 30, 2009, commercial banking system in India consisted of 171 scheduled commercial banks out of which 113 were in public sector, including 86 RRBs. The remaining 27 banks, other than RRBs, in the public sector, consisted of 19 nationalized banks, 7 banks in SBI group and IDBI Bank Limited. Public sector banks (excluding RRBs) accounted for about 76.6% of the deposits of all scheduled commercial banks.
9. Commercial banks are broadly classified into nationalised or public sector banks and private sector banks, with a few foreign banks. The public sector banks account for more than 92% of the entire banking business in India-occupying a dominant position in the commercial banking. The State Bank of India and its 7 associate banks along with another 19 banks are the public sector banks.
10. Oudh Commercial Bank was the first complete Commercial Bank of India.
11. The Imperial Bank was established in the year 1921 by merging three main Presidency Banks.

12. The largest bank-imperial Bank was nationalised in 1955 on recommendation of Gorewala Committee and rechristened as State Bank of India.

13. In 1959, 7 regional banks were nationalised and given the status of Associate Banks of State Bank of India.

14. On 19 July, 1969, 14 big commercial banks with deposits worth Rs. 50 crores or more and on 15 April, 1980, six other scheduled banks were nationalised, bringing total number of nationalised banks to 27 (19 + SBI + 7 SBI Associates).

15. Before the merger of New Bank of India in Punjab National Bank in 1993 the total number of nationalised banks was 28 (8 SBI and Associates + 14 +).

16. After the merger of " State Bank of Saurashtra " and "State Bank Indore in the State Bank of India, the number of Associates of SBI has come to 6.

Lead Bank Scheme

1. After the nationalisation of 14 banks the Lead Bank Scheme of the RBI was adopted in 1969 for branch expansion programme of banks.

2. Under the scheme, all the nationalised banks and private banks were allotted specific districts where they were asked to take the lead in surveying the scope of banking development particularly expansion of credit facilities.

Banking Reforms

1. On the recommendation of Narasimhan Committee, a number of steps taken to improve functioning of banking sector. SLR and CRR were reduced.

2. Banks were given freedom to open new branches. Rapid computerisation of banks was undertaken.

3. Banking "Ombudsmen Scheme" started functioning to expedite inexpensive resolution of customer's complaints.

Scheduled and Non-scheduled Banks

1. The scheduled banks are those which are entered in the second schedule of the RBI Act, 1934. These banks have a paid-up capital and reserves of an aggregate value of not less than Rs. 5 lakhs and satisfy the RBI that their affairs are carried out in the interest of their depositors.

2. All commercial banks (Indian and foreign), regional rural banks and state co-operative banks are scheduled banks. Non scheduled banks are those which are not included in the second schedule of the RBI Act 1934. At present there is only one such bank in the country.

Regional Rural Banks

1. The Regional Rural Banks (RRBs), the newest form of banks, have come into existence since middle of 1970s (sponsored by individual nationalised commercial banks) with the objective of developing rural economy by providing credit and deposit facilities for agriculture and other productive activities of all kinds in rural areas.
2. The emphasis is on providing such facilities to small and marginal farmers, agricultural labourers, rural artisans and other small entrepreneurs in rural areas.
3. First Regional Rural Bank was established on 2nd October, 1975.

Co-operative Banks

1. Co-operative banks are so called because they are organised under the provisions of the Co-operative Credit Societies law of the states. The major beneficiary of the Co-operative Banking is the agricultural sector in particular and the rural sector in general. The first such bank was established in 1944.
2. The Co-operative credit institutions operating in the country are mainly of two kinds : agricultural (dominant) and non-agricultural.
3. At the apex is the State Co-operative Bank (SCB) (co-operation being a state subject in India), at the intermediate (district) level are the Central Co-operative Banks (CCBs), and at the village level are Primary Agricultural Credit Societies (PACs); Long-term agricultural credit is provided by the Land Development Banks.
4. In the year 1991, a High Level Committee was constituted to advise on the issue of reconstruction of banking system.

Development Banks

1. Industrial Development Bank of India (IDBI), established in 1964. Main functions : Providing finance to large and medium scale industrial units.
2. Industrial Finance Corporation of India (IFCI), established in 1948. Main functions : (a) Project finance (b) Promotional services.

3. Industrial Credit and Investment Corporation of India Limited (ICICI), established in 1991. Main functions : Providing term loans in Indian and foreign currencies; Underwriting of issues of shares and debentures.
4. Small Industries Development Bank of India (SIDBI), established in 1989. Main functions : Providing assistance to small scale industries through state finance corporations, state industrial development corporations, commercial banks etc.
5. Export-Import Bank of India (Exim. Bank) was established in 1982. Main functions : Coordinating the working of institutions engaged in financing export and import trade, Financing exports and imports.
6. National Housing Bank (NHB) started operations in 1988. Main functions : Development of housing finance in the country.
7. NABARD (National Bank for Agriculture and Rural Development) was established in 1982. The paid-up capital of NABARD stood at Rs. 200 crore as on 31 March 2010. Main functions : to serve as an apex refinancing agency for institutions engaged in providing agricultural finance to develop credit delivery system to coordinate rural financing activities.

Insurance

1. The basic concept of insurance is of spreading the loss of a few over many. Insurance industry includes two sections-Life Insurance and General Insurance. Life Insurance in India was introduced by Britishers. A British firm in 1818 established the Oriental Life Insurance Company at Calcutta now Kolkata.
2. Life Insurance Corporation (LIC) of India was established in September 1956. General Insurance Corporation (GIC) was established in November 1972.
3. India Insurance sector has low penetration particularly in rural areas. It also has low turnover and profitability despite high premium rate. The committee on Insurance Sector Reform was set up in 1993 under the chairmanship of R.N. Malhotra which submitted its report in 1994.
4. Since opening up, the number of participants in the industry has gone up from 6 insurers (including Life Insurance Corporation of India, 4 public sector general insurers and General Insurance Corporation of India as the national reinsurer) in the year 2000 to 47 insurers as on March, 2010 operating in the life, non-life and reinsurance segments (including specialized insurers viz. Export Credit Guarantee Corporation and Agriculture Insurance Company of India Ltd. AICIL)

5. 36 companies in the private sector are operating in the country in collaboration with established foreign insurance companies from across the globe as on 31 March, 2010.

6. The Life Insurance Corporation with its Central Office in Mumbai, 8 Zonal Offices at Mumbai, Kolkata, Delhi, Chennai, Hyderabad, Kanpur, Bhopal and Patna, 109 Divisional Offices including one Salary Savings Schemes (SSS) Division at Mumbai, 2048 Branch Offices and 1004 Satellite Offices as on 31 March, 2010, spreads the message of Insurance the length and breadth of India.

7. At present LIC is operating internationally through Branch Offices in Fiji, Mauritius and U.K. and through Joint Venture Companies in Bahrain, Nepal, Sri Lanka, Kenya and Saudi Arabia. Its Representative Office in Singapore was opened on 6 Nov 2008.