Journal of Advances and Scholarly Researches in Allied Education
Vol. 20, Issue No. 2, April-2023, ISSN 2230-7540

A Study on Nationalized Commercial Banking in the Banda District Economy

Neera Tomar[1]*, Dr. Gaurav Singhal[2]

[1] Research Scholar, University of Technology

[2] Professor, Department of Humanities, University of Technology

Abstract - The government took over the most important commercial banks; the number of bank branches has increased dramatically. This unprecedented growth has resulted in a more geographically and operationally dispersed network of financial institutions across the country. Not only has the number of banks increased, but they have also been expanding into previously underserved and underdeveloped regions. As a result of nationalization, banks have undertaken concerted efforts to overcome the historic gaps in the geographical distribution of banking services. There has been a significant decrease in the national average of people served by a single bank branch, and the gap between the national average and the average in several areas has shrunk. The "Lead Bank" Scheme, focused on an "area approach" to banking development in the country, has established a standard for coordinated branch growth.

Keywords - nationalized, commercial, banking, Banda district, economy, bank.

---------------------------------x---------------------------------

INTRODUCTION

Independence has led to a fundamental shift in banking in India, much like any other developing country, which has resulted in a shift in the country's financial system. In the past, the bank's role was limited to only protecting its customers' money, but now it is seen as an active participant in the country's economic growth. Due to a changing economy, it has had to adapt its actions and duties to better meet the needs of customers. (1) A country's long-term economic success is largely based on its ability to expand its financial sector in a judicious and methodical manner so that it can satisfy all of the country's banking demands. Priority sectors, including agriculture, small-scale enterprises, and commerce and industry, should also be served by the financial resources provided by the government. (2) So it is impossible to dispute the importance of their involvement in any country, developed or developing, in its economic growth.

A complete banking system is necessary for any country's planned economic progress, which is why "the job of the individual banker is passive; the role of the banking system as a whole is both active and crucial for economic development. (3)" Commercial banks, which "constitute quantitatively the most important group of financial intermediaries," are at the heart of such an organized system.

Meaning of Scheduled Commercial Banks

According to the Reserve Bank of India Act, "a bank which is listed in the second schedule annexed to the Reserve Bank of India Act" has been classified as a 'Scheduled Bank.' One would wonder, if this concept is adopted, why a bank would be added to Schedule II. In the Reserve Bank of India Act, you may find the solution to this question. The bank in question must be registered and licensed to conduct banking operations in India. At least Rs. 5 lakhs in actual or exchangeable value must be in the company's paid-up capital. It must have statutory cash reserve ratios with the Reserve Bank of India of 5% of its demand liabilities and 2% of their time obligations. (4) It has to prove to the Reserve Bank of India that it is not harming the interests of its depositors.

Background of the Nationalized Commercial Banks

Reserve Bank of India, Indian commercial banks, exchange banks and industrial banks make up the Indian banking sector. Since India didn't have a central bank until 1935, organized banking has been a latecomer in the country's development. In the first part of the 19th century, the three presidency banks in Calcutta, Bombay, and Madras performed the tasks of contemporary banks. (5) Banks in this nation had a monopoly on the banking industry as well as a partial monopoly on the issuing of notes. In the presidency towns, they were able to utilize the government's balances for free.

They were not permitted to trade in foreign currency, thus they were unable to borrow money from other countries. Only six-month loans could be issued, and they couldn't provide loans on property that wasn't moveable at the time. Proposals to merge these banks have been made from time to time, but they have always been rejected. As a result, India's financial system was completely uncoordinated before to World War One, and the amalgamation of the three Presidency Banks in 1980 led to the establishment of the Imperial Bank of India.

Lead Bank

It was in August 1969 that the Governor of the Reserve Bank, Shri F.K.F. Nariman was appointed as the chairman of a committee of bankers to devise a coordinated plan to ensure the establishment of appropriate banking facilities in the under-banked areas of India. As part of the committee's recommendation, banks should be given particular regions where they might lead the expansion of credit facilities and bank surveys. "Lead Bank" is the Reserve Bank's way of implementing the "area approach" to development supported by the research group's recommendations. (6) As part of the 'Lead Bank Scheme,' the State Bank Group, 14 nationalized banks, and two additional Indian banks were assigned districts. All save Greater Bombay, Kolkata, and Madras and the Union Territories of Delhi are included in this list. The programme includes Chandigarh and Goa. Many significant considerations were considered by the Reserve Bank when assigning districts, including guaranteeing profitability of operations, providing control points for development and branch expansion, as well as a broad correspondence between tasks granted and resources of the institutions involved.

Nationalization

If a typical banker had been expected to play the function of an energizing force in this country's present development plan, he or she would not have been able to do so. Many changes in the financial structure had taken place over the past few years, and banks had begun to move away from their conventional moorings. (7) There was still a large gap between what was required and what was actually accomplished. In December 1967, an experiment in social control was launched in an effort to prevent abuses such as linkage between big industry and commercial banks, diversion of bank funds by big parties for purposes other than those for which they were originally obtained, use of bank funds for speculative purposes/concentration of economic decision making powers in a few hands, etc.

If banks were to play an important part in the development process, they had to shift their focus from private profit to societal benefit. For this, a minor modification in the makeup of the Board of Directors of banks, whose ultimate measure of efficiency still remained the maximization of individual bank profitability rates, (8) was not adequate. Changes in company practices and efficiency standards were required. On July 19, 1969, the government decided to nationalize fourteen large banks in order to give them a more active role in economic growth. A disproportionately significant amount of the commercial banking system (almost 45%) has now been transferred to the public sector as a result of this transformation. Governments may now execute development policy decisions more quickly and adopt programmes and policies that were formerly viewed as holy but distant goals by banks. As a result, they were put into use instead.

Evolution of Banking

Prior to the British conquest, much of the country's banking was handled by locals. Some Agency Houses were established by the East India Business during the end of the 18th century in order to carry out the company's key banking responsibilities, which included funding military needs of the company and providing loans for agricultural markets. After the British Crown abolished the commercial powers of the East India Company in 1813, three Presidency Banks, the Bank of Bengal (1806), the Bank of Bombay (1840) and the Bank of Madras (1843), (9) were created. These Agency Houses eventually faded into relevance. Most of these were owned by foreign investors in private shareholders' banks. Because the Indian government held a stake in these banks, it was able to exert influence over their operations. Banking institutions may be organized on the basis of limited liability in 1860, when a new law was passed. Thus, joint-stock bank establishments in India were greatly eased during this time, and a lot of banks were founded. A major factor in the growth of banking during this time was the Swadeshi Movement, which encouraged Indians to stop doing business with foreign banks and instead use Indian banks. There were a wide variety of banks of varying sizes.

Lead Bank Action Programme

The LEAD BANK SCHEME is an action plan that aims to encourage each bank to take an active role in the development of a particular region by including an area-specific strategy to banking expansion. (10) The underlying principle of the plan is that a specific institution should be responsible for filling up the credit shortages in a specific region rather than making generic exhortations to everyone. It has been decided that public and private sector banks will take care of the majority of the districts in India, with a few exceptions. (11) Reserve Bank of India established criteria for allocating the districts to the 'Lead Banks.

Reserve Bank of India established criteria for allocating the districts to the 'Lead Banks:

- The size of the banks and their ability to handle the level of work at hand.
- Contiguous districts such that "Clusters" of districts might arise with regional banks and "Clusters" of districts with regional banks, and so on
- There should be many Lead Banks in each state and each bank should be able to operate in more than one state if possible.

Evolution of the Commercial Banks and Lead Bank

The Swadeshi Movement, which encouraged Indians to stop using foreign banks and instead use Indian banks, was a major factor in the rapid growth of banking during the British rule. A wide variety of banks of various sizes were created. (12) As many as 87 banks went out of business between 1913 and 1917. Indian Joint Stock banks were shaken by these failures, which slowed the expansion of banking in India. Early in WWI, there was a financial crisis, but as the war went on, the public's faith in the banking system began to return. As a result, these banks had an almost total control over the country's financial sector, as well as a partial control over the creation of currency. In the presidency towns, they were able to utilize the government's balances for free. They were not permitted to trade in foreign currency, thus they were unable to borrow money from other countries.

OBJECTIVES OF THE STUDY

- To analyze the growth and performance of the nationalized commercial banks in the economy of Banda district.

RESEARCH METHODOLOGY

The design of the study was provide a useful working environment for the study's findings. As a result, the descriptive research approach is being considered as a possibility. Analytical relationships between two or more variables are established and conclusions can be made about them. The fundamental terminologies, definitions, and vocabulary for the case study process will also be established. Relevant factors and a rationale for sample selection were outlined.

Primary and secondary data was used in this investigation. This study's research design is descriptive; hence a survey was administered. The statistical procedure was carried out using the standard approach.

Sampling techniques and sample size

Sample size was calculated and appropriate instruments would be built for the study. As part of the pilot project, mathematic tools with statistical visuals were employed wherever appropriate.

Data collection

This information comes from Reserve Bank of India Bulletins, annual reports, trends and progress of banking in India, statistical tables pertaining to Indian banks, financial analysis of Indian banks and reports on currency and finance from the Reserve Bank. From the State Bank of India Monthly Review and Allahabad banks Monthly Review to the Indian Bankers Association Bulletins and the weekly review from the banks, we have gathered all the additional figures and information that we could find.

Statistical Techniques Used For Analysis of Data

According to the study's goals, the data and information gathered from the above-mentioned sources was categorized, tallied, and evaluated. It was possible to determine the extent to which Banda's nationalized commercial banks influence economic development by using statistical techniques such as percentage, average, and index number ratios. Qualitative and quantitative data was categorized for display in a tabular format. The tables were evaluated and interpreted using statistical methods such as correlation, regression, and index numbers, among others. Wherever applicable, scientific pattern analysis will make use of a combination of graphical and mathematical methods. So, this was the statistical element of the planned research, which is basically the research resign.

Results

Deposits from Rural & Semi Urban Populace:

The share of rural and semi-urban branches of Allahabad Bank is 66.89 percent. The bank is focusing in rural and semi urban areas for retail finance. The population group wise breakup of aggregate deposits for the last five years is as given in the table below.

Table 1 Distribution of Deposit (in percent)

As on March 31	Distribution of Deposit				
	2015	2016	2017	2018	2019
Rural	20.77	21.02	21.35	21.79	21.11
Semi Urban	19.53	19.35	19.81	20.10	20.01
Urban	29.21	30.03	30.68	30.85	30.83
Metropolitan	30.48	29. 52	28.16	27. 27	28. 06
Total	100.00	100.00	100.00	100.00	100.00

Growth of Advances:

The growth of the Bank's advances during the post five years is as follows:

Table 2 Growth of the Bank's Advances (Rs. in Crores)

Year ended March 31	Gross Credit	Annual Increase (percent)
2015	6293.56	18
2016	7565.71	20
2017	8882.87	17
2018	10316.00	16
2019	11815.01	18

Investment Strategy:

To mitigate interest rate risk arising from lending or borrowing at fixed/variable interests the bank has developed a thorough strategy for dealing in rupees derivative products like Forward Rate Agreement and Interest Rate Swaps in accordance with RBI standards.

Table 3 Break-up of The Bank's Investment (Rs. in crores)

As on March 31	INVESTMENT				
	2015	2016	2017	2018	2019
Gross Investments	6483.57	7174.57	8269.38	8789.90	10466.26
SLR	4473.09	5141.24	6166.62	6692.26	7798.45
Investment					
Held till				2429.38	2756.59
maturity (HTM)					
Available for sale			-	6318. 38	7687. 63
Held for Trading			-	42.14	26.'/6
Percent of HTA				17. 80	18.07
to en tire portfolio					

The bank has boosted its secondary market operations, especially in Government securities, debentures, and bonds, during the last two years in order to capitalize on trading possibilities.

NON- PERFORMING ASSETS (NPA)

The international financial community and multilateral organisations are increasingly concerned about India's banking sector reforms, and the problem of non-performing assets has come to take centre stage in these debates. 9 Such worries are amplified at a time when policymakers throughout the globe are paying close attention to the systemic soundness and stability of the banking sector. However, I'd want to point out that the shift that the Indian economy and banking sector in particular are undergoing is relevant to understanding the N PAs problem. Prudential accounting and capital norms have been mandated as part of the first round of financial sector reforms, with the goal of improving banks' financial health. The government has filled up a lot of the provisioning and capital holes at the scheduled commercial banks. Up to Rs. 20,000 cr. was allocated towards recapitalization of scheduled commercial banks over 2018–19. This is a tremendous sum of money, and it reflects the heavy load of non-performing assets that the scheduled commercial banks have been bearing.

Allahabad Bank's statistics on bad loans and other poor investments down below:

Table 4: Non-Performing Assets of Allahabad Bank (Rs. in Crores)

Particulars (as on March 31)	2017	2018	2019
Gross NPA at the beginning of the year	1520.11	1694.16	1821. 31
Addition during the year	434.35	407.54	530.52
Reduction during the year	260.30	280.39	350.08
a) Up gradation	35.90	42.24	15.57
b) Cash recovery	86.21	101.49	83.74
c) Compromise	42.63	65.97	86.33
d) Write off	95.56	70.69	164.44
Gross NPA at the end of the year	1694.16	1821.31	2011.85
Provision	642.81	733.05	522.51
Interest Suspense	14,35	4.01	12.12
DICGC & ECGC Balance	34.22	9.60	7.01
Net NPA at the end of the year	1002.78	1074.65	1160.16

At the start of 2017, Rs. 1520.11 crores, Rs. 1694.16 crores, and Rs. 1821.31 crores were Allahabad Bank's total non-performing assets. Non-performing assets increased by 434.35 Crores, 407.54 Crores, and 530.62 Crores at the start of 2017, 2018, and 2019, respectively, while they decreased by 260.30 Crores, 280.39 Crores, and 350.08 Crores during the course of those years. The table shows an alarming upward trend in nonperforming assets (NPAs) and an increase in the Bank's own NPAs, both of which are unacceptable.

CONCLUSION

The primary goal of the Lead Bank Scheme is to have individual banks focus their development efforts on certain areas. A consortium of co-operative banks, commercial banks, and other financial institutions in each area was anticipated to be brought together by the Lead Banks under the programme. Under the lead bank plan, a bank was assigned to a certain district and made responsible for developing banking and credit in that district. With planned economic progress, banks' shifting roles, and the characteristics of their workings.

REFERENCES

1. Vemula, V., & Mahalingam, M. (2012). Non-performing Assets: An Indian Perspective. Bangalore: Infosys Limited.
2. Prasad, K., & Ravinder, G. (2012). A Camel Model Analysis of Nationalized Banks in India. International Journal of Trade and Commerce-IIARTC, 1 (1), 23 - 33.

3. Reddy, K. (2012). Evaluating the performance of public and private sector banks through Camel Model. Asian Journal of Research in Banking and Finance, 2 (3), 36 - 49.
4. Ibrahim, M. (2011). Operational Performance of Indian Scheduled Commercial Banks - An Analysis. International Journal of Business and Management, 6 (5), 121 - 128.
5. Kheechee, D. (2011). A Comparative Study of Profitability of difference groups of Scheduled Commercial Banks in India. IJMT, 19 (1), 62 - 74.
6. Kaur, H. (2010). Analysis of Banks in India—A CAMEL Appoach. Global Business Review, 11 (2), 257 - 280.
7. Baral, K. (2005). Health Check-up of Commercial Banks in the Framework of CAMEL: A Case Study of Joint Venture Banks in Nepal. The Journal of Nepalese Business Studies, 2 (1), 41 - 55.
8. Parameswaran, R. and Natarajan, S., Indian Banking, Sultan Chand and Company Limited, New Delhi, 2001.
9. Shyam Lal Gaur, Banking Lokpal – The Third Umpire, Himalaya Publishing House, Mumbai, 2002.
10. Raman Nair, “Marketing of Financial Services by Commercial Banks in Kerala – A Case Study of State Bank of Travancore”, Unpublished Ph.D. Thesis Submitted to Mahatma Gandhi University, Kottayam, 2003.
11. Selvam, M., “Customer Satisfaction of Banking Services: An Overview”, SAJOSPS, July-December 2005, pp: 85-90 &120.
12. Saveeta Saggar, Commercial Banks in India, Deep and Deep Publications and Distributors, New Delhi, 2005.

Corresponding Author

Neera Tomar*

Research Scholar, University of Technology