Contrastive Scrutiny of Nationalised and Public Banks

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Abstract

Finance and banking has become a life blood of our economy and play a key role in commerce and industry. Now-days, banking sector acts as the pillars of modern business. Development of any country mainly depends upon the banking system of that country. The purpose of this research is to evaluate the development of nationalized sector banking vs to the public sector banking in India. The first period revolves the detailed screening of structure of nationalized and public banking system in India and continued with regulatory functions and issue of shares of nationalized and public banks. The second period shows the importance of both nationalized and public sector banks and in addition a comparison between nationalized banks and public sector on some standard framework. The paper will also provide the detailed overlook of nationalized sector banking with par to public sector banking.

KEYWORDS: Nationalized Banks, Public Banks, RBI,

INTRODUCTION

Banking sector in India is broadly classified into three categories namely Nationalized Banks and SBI and associates, Private Sector Banks and Foreign Banks. All these banks and bank groups are doing banking operations for different objectives to achieve. These banks always compete with each other on different grounds and parameters. Their competition has two fold advantages to the economy and to these banks themselves. As it is a well known fact that only with competition, productivity and efficiency increases which is also true in case of the banking industry which is considered as the backbone of the economy. We have seen in the era of nationalized banks dominated banking industry where all the banking operations are done by the nationalized banks only with the sole objective of social banking where people‟s welfare occupies the major place. But it was also true that at that time efficiency of the banks in their operations was also not so appreciable than in today. In modern era of cut throat competition, every bank and banking group is striving to attract more and more customers towards itself, so that it can make its name in the banking industry and gets fame by their operations and working, so that their customer's loyalty can be increased towards them and they are able to utilize this in their future policies. Competition among them has also make them quality oriented. Now a day, they are not only concerned about providing their customers with lots of facilities, but the quality of those services are also their major concern issue.

HISTORY

After Independence the government of India adopted planned economic development for the country. Accordingly five year plan came into existence since 1951. This planning basically aimed at social ownership of the means of production. However, in those day commercial banks were in the private. In 1950- 1951 there were 430 commercial banks. The Indian government had few social objectives but these commercial banks failed helping the government in attaining these objectives. Thus the government decided to nationalize 14 major commercial banks on 19th July, 1969. All those commercial banks were with a deposit base over Rs. 50 crores. The 2nd base of dose nationalization came in April 1980 when banks were nationalized and thus raising the number of nationalized banks to 20. Seven more banks were nationalized with deposit over 200 crores. Later in 1993 the government merged new bank of India with Punjab national bank. Till 1980 approximately 80% of the banking segment in India was under the ownership of the government. On the suggestion of narsimhan committee, the banking regulation act was amended in 1993 and hence the gateways for the new private sector banks were opened.

In ancient period, due to the emergence of price adjusting markets, temples provided and over saw weights and measures critical to exchange. The expanded legal regime of Mesopotamia included price administration and fixed interest rates which were set by public custom, such as one shekel per mina, a rate which stayed stable for a thousand years.

ISSUES OF BANKINGS SECTORS

Profitability is a key performance parameter in banking sector, which reflects efficient utilization of all resources in an organization. The banks are now facing a number of challenges such as frequent changes in technology required for modern banking, stringent prudential norms, increasing competition, worrying level of nonperforming assets, raising customer expectations, increasing pressure on profitability, asset-liability management, liquidity and credit risk management, raising operating expenditure, shrinking size of spread and so on. The present study attempts to view the overall functions of nationalized and public sector banks in India.

NATIONAL SECTOR BANK

Nationalized bank are those banks that are governed by the RBI and Regulation act of 1949. **"Nationalization"** is defined as **"government taking control over assets and over a corporation, usually by acquiring the majority stake or the whole stake in the corporation"**. Nationalization refers to the transfer of private assets which is operated or own by the state. So there is no difference between nationalized bank and a public sector bank. By the act of nationalization the banks which were earlier in private sector were transferred to the public sector.

S.NO	NAME OF THE BANKS	HEAD OFFICE
1	Allahabad Bank	Kolkata
2	Andra Bank	Hyderabad
3	Bank of Baroda	Vadodara
4	BANK of India	Mumbai

5	Bank of Maharashtra	Pune
6	Canara Bank	Bangalore
7	Central Bank of India	Mumbai
8	Corporation Bank	Mangalore
9	Dena Bank	Mumbai
10	Indian Bank	Chennai
11	Indian Overseas Bank	Chennai
12	Oriental Bank of Commerce	Gurugram
13	Punjab National Bank	New Delhi
14	Punjab And Sind Bank	New Delhi
15	Syndicate Bank	Manipal
16	UCO Bank	kolkata
17	Union Bank of India	Mumbai
18	United Bank of India	Kolkata
19	Vijaya Bank	Bangalore
20	IDBI Bank ltd	Mumbai
21	BharathiyaMahila Bank	New Delhi

PUBLIC SECTOR BANKING

Large part of the stock in this type of bank is owned by the government. As an example, the State Bank of India is a public sector bank and 58.87% of its share is controlled and governed by the government. Generally, a public sector bank has more than 50% of stake in the government. For this reason, banks are also called the official bank in the common speaking language. The government has complete control over public banks. These include large banks such as State Bank of India.

A public bank is a financial institution, in which a it is run in state, municipality, or public actors are the owners. It is under government control and it is prominent among the present public banking models are the bank of north Dacota, the German public bank system. It is increasing globally in the late of 19th and early 20th Centuries as essential agents of industrialization in capitalist and socialist countries, as late as 2012 state bank's still owned and controlled up to 25% of total global banking assets. There are 27 public banks in India, which include 21 nationalized banks and 6 state banks (SBI+5 associates).

S.NO	NAME OF THE BANK	HEAD OFFICE
1	State Bank of India	Mumbai
2	State Bank of Bikaner	Rajastan
3	State Bank of Hyderabad	Hyderabad
4	State Bank of Mysore	Bangalore
5	State Bank of Patiala	Punjab
6	State Bank of Travancore	Thiruvananthapuram

CONCEPT OF NATIONALISED BANKS

Initially bank with majority of stake of more than 50% is with private entity and later government owns majority of stake from private bank of more than 50% then it is called as nationalized bank.

- Nationalization occurs in India during Indira Gandhi period on 1969 and 1980.
- 14 banks were nationalized in 1969 and 6 banks were nationalized in 1980.
- In 1993, new bank of India was merged with Punjab National Bank.
- So there are 19 nationalized banks in India.
- There banks were nationalized under banking companies (Acquisition and Transfer of undertakings) Act of 1969 and 1980.
- Nationalized banks can be named as public sectors bank but public bank cannot be noted as nationalized by government whereas nationalized banks initialized by private entity.

CONCEPT OF PUBLIC BANK

Government holds more than 50% stake of a bank is called public sector bank.

PUBLIC BANK

SBI	- 1
Nationalized Bank	- 19
IDBI	- 1

There a 21 public sector banks in India

ROLE OF NATIONALIZED BANKS IN INDIA

The nationalized banks promoted social welfare by directing funds for sector such as agriculture, small and village industries which were in need of funds for their expansion and further economic development.

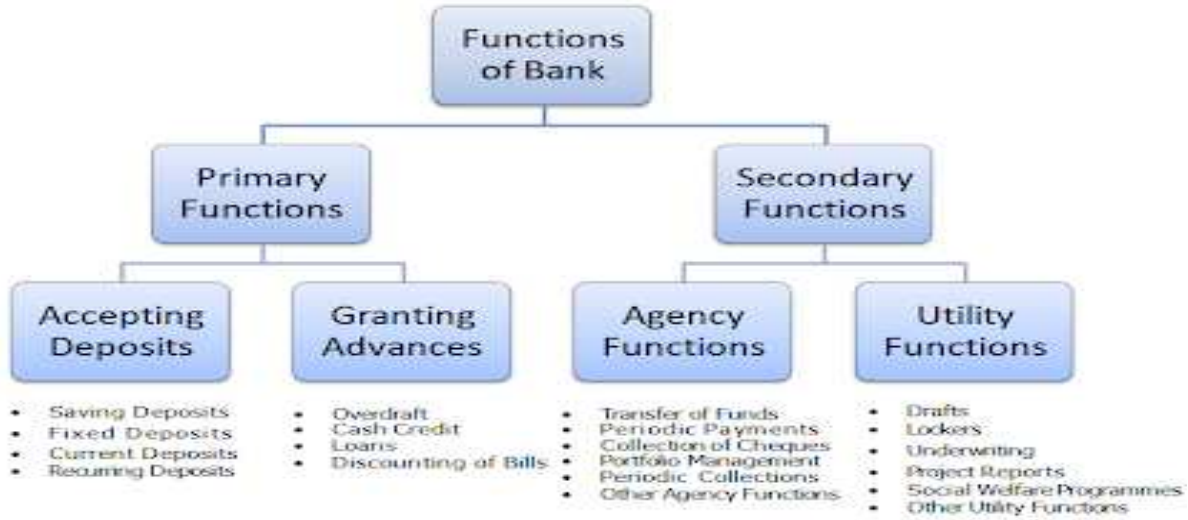
They control private monopolies as due to nationalization many banks were controlled by private business houses and corporate families. They expanded banking services because in a large country like India the number of banks existing those days was certainly inadequate. In order to reduce regional imbalance nationalization was justified. It develops banking habits among the population who used to stay in rural areas. It provide bank finance in such a way as to achieve balanced inter regional development and remove regional disparities. The plant development of nationalized bank will impart greater stability for the banking structure. These banks would enable the government to obtain huge profits of the banks as its revenue. It would safe guard interest of public and increase their confidence and there by resulting about a rapid increase in deposits. It removes the concentration of economic power in the hands of a few industrialists. It eliminates artificial scarcity of essential goods by stabilizing the price. The banking sector is enabled to diversify its resources for the benefit of the priority section. It raise

the working efficiency of bank thus eliminates wasteful competition. It enables rapid increase in the number of banking offices in rural and semi urban areas. It is necessary for the furtherance of socialism and in the interest of community. It enable RBI to implement its monitory policy effectively, It replace the profit motive with service motive and secure standardization of banking service. It checks the incidence of tax evasion and black money. It is essential for all round progress of the nation economy, community development and for the welfare of the people.

ROLE OF PUBLIC SECTOR BANKS IN INDIA

Public banks have been mobilizing resources from far flung rural areas and services in the remotest part of the country. The burden of social agenda largely been shouldered by public bank without any compensation. Therefore, in the interest of maintaining creditability of public bank which account for nearly 70% banking activity in the country. Government is justified in Recapitalizing the public bank is regularly justified by the government.

FUNCTIONS OF BANKING SECTORS



ACHIEVEMENTS

Nationalized and public banks have taken banking services to rural and remote areas. It awakens the rural masses above the need and usefulness of banking service, helped in the implementation of various welfare measures formulated by government. It helped in enormously speedy transfer of funds from one place to another. Regional disparities in economic development were removed. The efficient use of public money for social and desirable purposes was ensured. Removed concentration of wealth in the hands of few industrialists. It avoided the diversion of funds for harmful activities such as speculation in shares, hoarding of essential commodities, investment in real estate etc. Provides job opportunities for thousands of educated youth. It provides credit to neglected people like agricultural laborer, small traders at reduced interest rates. Even supply of credit to various industrial activities was ensured. Helped export sector to

obtain cheap credit. It freed the rural poor from clutches of money lenders. It ensured adequate and timely credit for agricultural activities and forming operations. It supplies adequate credit to weaker section of the society like village artisans, labourers, tribes.

DRAWBACKS

Though banks have spread across the country some parts of the country are still unbanked especially in states such as utter Pradesh, Madhya Pradesh, Chhattisgarh and north- eastern states of India. After nationalization resources mobilized were insufficient. Banks went in the government sector so were pressurized by political forces it resulted in lower efficiency and profitability was poor. Due to huge branch network the administrative expenditure increased to a dangerous level. Public banks were severely suffered due to political interference it resulted in large nonperforming asset. Inefficiency, improper decision, corruption affect the government undertakings. Though sufficient assurance is given businessmen still have fear regarding the secrecy of the customer's account. Additional financial burden was imposed on the government due to the compensation paid to the share holders during nationalization. The banks do not take initiative to implied new ideas and innovations due to lack of incentive as the ownership is in the hands of government. As a result there less competition among the banks.

SUGGESTIONS

Banking services should be availed to each and every part of the country and at the same time instead of establishing new branches other easy options as E-banking services like ATM machine, Cash deposit machine and mobile banking apps etc. and be made to avail were it is necessary. So that it reduces administrative expenditure and saves the time of customers. Misuse of resources for political purpose should be strictly prevented. Adequate incentives must be given to the banks which would encourage them to undertake new innovations. It helps them to have a good competition among other banks. Political influence on the banks must be reduced by means of laws which would automatically reduce the amount of nonperforming assets of these banks. Banks must give assurance to the customers regarding the secrecy of their personal account details.

CONCLUSION

Nationalized banks and public banks play a major role in the economy of a country and also provide financial help to individual citizens. In spite of certain drawbacks, the benefits of these banks are unavoidable. Thus, the above study was helpful in getting a clear view about these banks which helped to find solutions for the drawbacks which would enhance the efficiency and profitability of the banks.

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