CHAPTER- II
A CRITICAL APPRECIATION OF THE THEORY OF THE
COMMERCIAL BANKING

2.1 EVOLUTION OF THE COMMERCIAL BANKS AND LEAD BANK
SCHEME:

The reason for the fast development of banking during the British period was the Swadeshi Movement, which inspired the people to boycott foreign banks and start transacting business with Indian Banks. A large number of banks of different sizes came into existence. The period from 1913 to 1917 was a very critical period and as many as 87 banks failed. These failures shook the confidence of people in Indian Joint Stock banks and checked the growth of banking in the country. The banking crisis continued during the initial years of the first World War, but as time passed, the confidence of the people in the banking system was gradually restored. The three Presidency Banks, in Calcutta, Bombay and Madras were working in the first half of the 19th century and performing the functions of modern banks. These banks enjoyed the monopoly of banking business in the country and a partial monopoly of note-issue. They were allowed to use government balances free of charge in the presidency towns. They were not allowed to deal in foreign bills and therefore, could not borrow money from abroad. They could not make advances for more than six months and could not issue loans on immovable property. Proposals were made from time to time to amalgamate these banks, but were rejected. So, before the First World War, the banking system in the
country was utterly un-coordinated and it was only in 1920 that the three presidency banks were amalgamated and the Imperial Bank of India was established.

2.2 LEAD BANK:

The Governor of the Reserve Bank appointed a committee of Bankers in August 1969, with Shri F.K.F. Nariman as the chairman to evolve a co-ordinated programme for ensuring the setting up of adequate banking facilities in the under-banked districts of the country. The committee recommended that banks should be allotted specific districts where they would take the lead in surveying the potential of banking and expanding credit facilities. The Reserve Bank accepted these principles and evolved the “Lead Bank” Scheme which gives concrete shape to the ‘area approach’ to development advocated by the study Group¹. Under the ‘Lead Bank’ Scheme, districts were allotted to the State Bank Group, 14 nationalised banks and 2 other Indian Banks. Virtually, the whole country except Greater Bombay, Calcutta and Madras and the Union Territories of Delhi. Chandigarh and Goa has been covered under the scheme. In allotting the district, the Reserve Bank kept in view a number of important factors such as the contiguity of districts for ensuring viability of operations, provision of control points for developmental work and branch expansion as also a broad correspondence between the responsibilities allocated in terms of number of districts and resource-base of banks concerned.

The ‘Lead Bank’ is responsible for taking a leading role in surveying the potential for banking development, in extending branch banking after
identifying growth centres and in purveying credit facilities after locating viable and potentially viable propositions and mobilising deposits out of rising levels of income.² The basic objective is to ensure that the developmental needs of all regions and all sections of the community are served by the banking system in conformity with national priorities, in sum, the promotion of the development of the district through the medium of banks. The immediate tasks before the banks was, therefore, to acquire a basic knowledge of the districts allotted to them so as to enable them to formulate suitable schemes of action. For this purpose, lead banks were required to conduct ‘quick and impressionistic’ survey of resources and potential of the districts assigned to them. What is more, the ‘Lead Bank’ is expected to act as consortium leader who should organise and obtain the co-operation of other banks as well as other financial institutions and maintain with district/state authorities. The success of a ‘Lead Bank’ in any particular district would therefore, be judged not from the work done only by its own offices in the area, but from the total improvement of the district economy that it is able to effect through the medium of banks.

2.3 LOGIC BEHIND NATIONALISATION:

It is obvious that a traditional banker with an ever vigilant eye merely on profitability could not have been expected to assume the type of energising role visualised in the development strategy currently being pursued in this country. Undoubtedly over a years number of changes had occurred in the banking structure and banks had started moving out
of their traditional moorings. All the same the gap between what was needed and what had been achieved was quite wide. With a view to guarding against certain abused such as link-up between the big industry and commercial banks, diversion of bank finds by big parties for purpose 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. an experimental scheme of social control was initiated in Dec. 1967. It was, however, soon realised that if banks to play an adequate role in the development task, they had to move away from the narrow concept of private profitability to social gain. For this a mild change such as a watch over the composition of Board of Directors of banks, whose ultimate test of efficiency still remained the maximization of individual bank's profitability rate, was not enough. Their approach to business had to be changed and yardsticks of efficiency suitable altered. It was this desire to let the banks play a more direct role in development that resulted in a decision to nationalised fourteen major banks on July 19, 1969. With this change on overwhelmingly large proportion (roughly four-fifths) of the commercial banking system has come under public sector's fold. Government can now implement development policy decisions through a less circuitous route and follow programmes and policies which were earlier treated by banks as some thing in the nature of pious but distant ideals and were therefore implemented by them rather hattingly in practice.
2.4 ROLE OF BANKS IN THE ECONOMY:

Banking, if we equate it with money lending, is perhaps as old as civilization itself. When "money" in its modern form was not in existence, people in order to obtain goods or services, offered other goods or services in return. This was barter, a clumsy and inconvenient system in many ways. Nevertheless people could and did lend or borrow in the form of specific goods which they received back or repaid in the same form or another mutually acceptable form. Modern banking is something radically different from mere lending. It is far more sophisticated and complicated. Banking institution today form the 'heart' of financial structure of any country, whether it is developed or developing, rich or poor, advanced or backward in the fields of science and technology.

In a developing economy the role of banks is more creative and purposeful than in a developed one. This observation is, however subject to the assumption that banks are operating in a free-enterprise economy and not a totalitarian economy where all factors of production are under state control and all authority is vested in the state. In such a centrally planned economy, the problem of economic development is relatively simpler in the sense that the course of development is laid out and the economy is expected to move along that course. Of course, even in these economies the plan itself is susceptible to errors in its formulation and failures in its implementations. In a free enterprise economy, the problems of economic growth are more complex because inspite of all the planning (that may be done by the state) and the distribution of the roles and the allocation of activities between the public sector and the private sector,
the economic system relies mainly on private initiative and enterprise.

The traditional role that banking institution is supposed to play is that of acting as a repository of community's savings. It acts as a bridge between the saver and the investor. It collects the surplus fund of the former by offering him a monetary reward and then utilises them for lending to the investor. The price charged by the bank for lending of funds is fixed at a level that would enable it to get a profit after meeting fully not only the cost of borrowing funds but also all such administrative and other cost items that may have incurred in these operations. The pricing policy for the use of funds framed in this manner, it is argued, would in its turn ensure an efficient utilisation of funds by the community. Thus, apart from serving as repository of savings, a banking institution performs a useful allocative service to the community by funneling funds into relatively more efficient channels.

It would appear that in the traditional set-up of a banking institutions, main operational objectives would be the attainment of an optimum combination of the following aims:

a) the maximisation of its profits arising from its borrowing and lending operations,

b) the maximisation of amount of community's saving passing through the banking circuit, and

c) to the extent possible ensuring that the funds made available by it to the investors are safe and are put to efficient uses.

In the interest of attainment of these objective, the usual policy that the traditional banker would follow is to go into areas and sectors
that have already achieved a certain level of development. He thus follows on the footsteps of development. A developed region succeeds in attracting bankers. An unfamiliar area or a new line of investment and production is viewed by the tradition banker with caution and care. He does not jump into unknown and unexplored territories. When at least part of the way has been cleared he then cautiously enter the area for further exploitation. In a word, he is not a pioneer but a follower.

2.5 DEVELOPMENTAL TASKS OF COMMERCIAL BANKS:

The role assigned to commercial banks in the development strategy currently being followed in this country is materially different from the one visualized in the traditional setting. Commercial banks in this country have been assigned the responsibility of playing the role of an important prime mover in the process of development. Their job is not merely to follow in the heels of development but to set the pace for it. They have to serve along with other development agencies as an important catalyst in the economic and social transformation of the economy. They should precede development rather than merely follow it to reap its fruits. In our country the emphasis for the development strategy has been laid on the simultaneous attainment of the twin but essentially interdependent objective of economic growth and social justice. Bank’s operation would be such as will be in furtherance of both these objectives. It is obvious that in this setting, one should evaluate the performance of banks not in the terms of the operating surplus that one able to generate, but in terms of their performance in the matter of development task assigned
to them.

What is it that commercial banks in India can and should do at the present stage to play an adequate role in the economic and social transformation of the economy? First of all, even to perform the usual functions, the banks should be physically present in the midst of the local community that they propose to serve. A massive programme of opening new banks offices in rural and unbanked growth centres has therefore to be undertaken. Once a bank is physically present in an area, it has them to make every possible endeavour to augment the pool of savings passing through it. A vigorous deposit mobilisation programme has to be launched. Then having secured some command over saving of the community the next task that it has to undertake is to channel those funds into productive endeavours. Herein comes a whole range of developmental tasks. For a vast majority of people in this country a banks is altogether an alien entity: they never had the opportunity of benefitting from its sources. Usually the small man does not have the necessary training and knowledge to give his productive talents the shape of a bankable project. Thus, he fails to get support from the commercial banks. An attempt has to be made to fill up these lacunae. All this will be possible only if a radical change is brought in the attitude of the traditional banker. In order to promote development of a given region, a bank has to make a detailed survey of the natural and human resources of that region. In the light of this survey it must work out, in cooperation with other agencies more directly involved in planning and developmental tasks, broad plans and programmes of development. This may necessitate taking
up of detailed feasibility reports of projects in certain lines. A wide dissemination of the knowledge may prompt the various elements in the community to work out precise action programmes. All this work is somewhat of an unknown ground to the traditional banker. Why should he get involved in the preparation of reports on growth potential. Let the man who wants to borrow come to it rather than the bank itself going to a prospective customer both with funds and ideas. These are natural reaction of the traditional banker but it is precisely these that have to be overcome. In the role assigned to a commercial banks in our development strategy commercial banks have to get out of their traditional shell and take upon themselves the job of a development agency playing an adequate role in the nation’s economic and social development.

2.6 PROGRESS OF COMMERCIAL BANKS:

Banking in India has undergone a sea change in the present century, the change has been more perceptible since nationalisation of major banks in 1969. The progress of commercial banking can be seen in the Table 2.1. Total number of commercial banks at the time of nationalisation was 89 while it has been increased to 298 in Sept. 2002. Total number of commercial bank’s offices during nationalisation was 8262. While it has been increased to 66004 in 2001 and 68330 in 2003 (p) which is given in Table 2.2. Saving deposits with commercial banks is given in Table 2.3. The banking system has taken upon itself the role of most important development agency of the country. From the commercial wholesale
## Table No. 2.1

Progress of Commercial Banking at a Glance

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<td>284</td>
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<td>299</td>
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<td>298</td>
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<td>a) Scheduled Commercial Banks of which :</td>
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<td>Regional Rural Banks</td>
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<td>196</td>
<td>196</td>
<td>196</td>
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<td>196</td>
<td>196</td>
<td>196</td>
<td>294</td>
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<tr>
<td>b) Non-Scheduled</td>
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<tr>
<td>in India</td>
<td>8262</td>
<td>60220</td>
<td>60570</td>
<td>61169</td>
<td>61803</td>
<td>62367</td>
<td>63026</td>
<td>63550</td>
<td>64218</td>
<td>66405</td>
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<tr>
<td>a) Rural</td>
<td>1833</td>
<td>35206</td>
<td>35269</td>
<td>35389</td>
<td>35329</td>
<td>33004</td>
<td>32995</td>
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<td>32878</td>
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<td>11356</td>
<td>11465</td>
<td>11890</td>
<td>13341</td>
<td>13561</td>
<td>13766</td>
<td>13980</td>
<td>14754</td>
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<tr>
<td>c) Urban</td>
<td>1584</td>
<td>8046</td>
<td>8279</td>
<td>8562</td>
<td>8745</td>
<td>8868</td>
<td>9086</td>
<td>9340</td>
<td>9597</td>
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<tr>
<td>d) Metropolitan</td>
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<td>5624</td>
<td>5666</td>
<td>5753</td>
<td>5839</td>
<td>7154</td>
<td>7384</td>
<td>7529</td>
<td>7763</td>
<td>8663</td>
</tr>
</tbody>
</table>
3. Population per office (in thousands) | 64 | 14 | 14 | 14 | 15 | 15 | 15 | 15 | 15 | 16

4. Deposits of scheduled commercial Banks in India (Rs. Crores) | 4646 | 201199 | 237566 | 274938 | 323632 | 386859 | 433819 | 505599 | 605410 | 1192369

5. Credit of scheduled commercial Banks in India (Rs. Crores) | 3599 | 121865 | 131520 | 154838 | 166844 | 211560 | 254015 | 278401 | 324079 | 678575

6. Credit Deposit Ratio | 77.5 | 60.6 | 55.4 | 56.3 | 51.6 | 54.7 | 58.6 | 55.1 | 53.5 | 56.9

<table>
<thead>
<tr>
<th>Year</th>
<th>Rural</th>
<th>Semi-Urban</th>
<th>Urban</th>
<th>Metropolitan</th>
<th>Total</th>
</tr>
</thead>
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<td>1969</td>
<td>1833</td>
<td>3342</td>
<td>1584</td>
<td>1503</td>
<td>8262</td>
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<tr>
<td>1980</td>
<td>15105</td>
<td>8122</td>
<td>5178</td>
<td>4014</td>
<td>32419</td>
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<tr>
<td>1990</td>
<td>34791</td>
<td>11324</td>
<td>8042</td>
<td>5595</td>
<td>59752</td>
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<td>1991</td>
<td>35206</td>
<td>11344</td>
<td>8046</td>
<td>5624</td>
<td>60220</td>
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<td>60570</td>
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<td>1993</td>
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<td>5753</td>
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<td>8745</td>
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<td>33004</td>
<td>13341</td>
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<td>7154</td>
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<td>13561</td>
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<td>9340</td>
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<td>63550</td>
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<tr>
<td>1998</td>
<td>32878</td>
<td>13980</td>
<td>9597</td>
<td>7763</td>
<td>64218</td>
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<tr>
<td>1999</td>
<td>32857</td>
<td>14168</td>
<td>9898</td>
<td>8016</td>
<td>64939</td>
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<td>2000</td>
<td>32734</td>
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<td>65412</td>
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<td>2001</td>
<td>32640</td>
<td>14571</td>
<td>10304</td>
<td>8489</td>
<td>66004</td>
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<tr>
<td>R 2002</td>
<td>32640</td>
<td>14953</td>
<td>10304</td>
<td>9418</td>
<td>68166</td>
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<tr>
<td>P 2003</td>
<td>32435</td>
<td>15025</td>
<td>11434</td>
<td>9436</td>
<td>68330</td>
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R : Revised , P : Provisional

Source : Handbook of statistics on the Indian Economy Reserve Bank of India 2002-03.
### Table No. 2.3

**Saving Deposits With Commercial Banks**

<table>
<thead>
<tr>
<th>Last Reporting Friday</th>
<th>Scheduled Commercial Banks (Rupees Crores)</th>
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<tr>
<td>1970-71</td>
<td>1408</td>
</tr>
<tr>
<td>1980-81</td>
<td>10667</td>
</tr>
<tr>
<td>1990-91</td>
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<td>1993-94</td>
<td>69434</td>
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<td>1994-95</td>
<td>89019</td>
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<td>1995-96</td>
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<td>1996-97</td>
<td>112570</td>
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<td>1997-98</td>
<td>136770</td>
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<td>1998-99</td>
<td>160889</td>
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<tr>
<td>1999-2000</td>
<td>187173</td>
</tr>
<tr>
<td>2000-2001</td>
<td>217452</td>
</tr>
<tr>
<td>2001-2002</td>
<td>272119</td>
</tr>
</tbody>
</table>

banking, we have come down to retail social developmental banking. From large cities banks have moved to towns, villages and to unheard of hamlets, from large and medium industry to small scale units and to tiny one; from big agency houses to small business, from qualified professionals to barbers and washerman, to the tribals and to the physically handicapped; from the privileged to the altogether unprivileged. In fact, this is unprecedented in the history of banking anywhere in the world. Geographical expansion and functional diversifications in newer and complex areas encompassing millions of clientele in dispersed and far flung areas have been the hallmark of this phenomenal growth. The total number of commercial bank offices has increased from 8,321 at the time of nationalisation to 68,000 bank offices at the end of March, 2000. In 1991 gross domestic saving was 23.8 percent which increased to 25.8. percent in 1995-1996, but it was slow down to 22.3 percent in the year 1999-2000. Gross Domestic Capital formation rate was estimated higher at 26.5 percent in 1995-96 while it was recorded lowest at 21.2 percent in 1998-99.

The following Table 2.4 indicates sectoral and industry wise deployment of gross bank credit of scheduled commercial banks (fiscal year variation).
Table No. 2.4

Sectoral and Industry wise Deployment of Gross Bank Credit of Scheduled Commercial Banks (Fiscal Year Variation)

(Rupees Crores)

<table>
<thead>
<tr>
<th>Sector/Industry</th>
<th>2000-01 upto (September)</th>
<th>2001-02 (September)</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Absolute</td>
<td>Percent</td>
</tr>
<tr>
<td>------------------------------------------</td>
<td>-----------</td>
<td>---------</td>
</tr>
<tr>
<td>Priority sector*</td>
<td>7173</td>
<td>5.4</td>
</tr>
<tr>
<td>Industry (medium &amp; large)</td>
<td>11214</td>
<td>7.6</td>
</tr>
<tr>
<td>Wholesale trade (other than food procurement)</td>
<td>721</td>
<td>4.3</td>
</tr>
<tr>
<td>other sectors</td>
<td>2771</td>
<td>3.5</td>
</tr>
<tr>
<td>Export credit</td>
<td>891</td>
<td>2.3</td>
</tr>
<tr>
<td>Petroleum</td>
<td>2916</td>
<td>32.5</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>1561</td>
<td>21.6</td>
</tr>
<tr>
<td>Chemical Group</td>
<td>1870</td>
<td>8.0</td>
</tr>
<tr>
<td>Electricity</td>
<td>1560</td>
<td>21.0</td>
</tr>
</tbody>
</table>

*Excluding investment in eligible securities.

Note: Data are provisional and relate to fifty scheduled commercial banks.


A sectoral analysis show that the slow down of credit off take in medium and large scale industry had been the principal source of the overall credit take during the year so far (Table 2.1).
The industrywise deployment of gross bank credit shows that most of the industries have exhibited deceleration/decline in terms of credit off take during the financial year so far. Amongst the principal industries, credit off take improved only in case of iron and steel can increase of 1.1 percent as against decline of 0.9 percent last year) and other textile (5.0 percent as against 4.2 percent) industries. On the other hand, for industries like infrastructure (3.2 percent growth as against 21.6 percent), cotton textiles (a decline of 10 percent against a growth of 2.5 percent) credit demand slow down significantly which is depicted in diagram 2.3.

During financial year 2000-2001 SCBs recorded a 7.9 percent increase in operating profits which went upto Rs. 19,747 crore as on March 31, 2001. Net profit, however declined by 11.3 percent to Rs. 6,424 crore as on March 31, 2001 driven by the increase in provisions partly offset by higher operating profit. The ratio of net profit to total assets of ScBs declined from 0.66 percent in 1999-2000 to 0.50 percent in 2000-01. As at end March 2001, gross NPAs as a percentage of total assets for scheduled Commercial banks declined to 4.9 percent from 5.5 percent as at end March 2000. As a share of gross advances, gross NPAs of ScBs declined to 11.4 percent as at end March 2001, from 12.7 percent in the previous year.

The ratios of net NPAs to total assets and net advances declined to 2.5 percent and 6.2 percent, respectively, as at end March 2001 from 2.7 percent and 6.8 percent respectively, as at end March 2000. As at end March 2001, 84 out of 100 scheduled commercial Banks recorded CRAR in excess of 10 percent Eleven banks had CRAR between 9 percent
and 10 percent while 5 banks have CRAR below the 9 percent marks.

No doubt the spectacular expansion of banking infrastructure has given tremendous boost in spreading banking habits among the people and has accelerated growth of banking business but this has not been without strains. Profitability of the banks has been under a constant strain. Overdues in agriculture and blockage of funds in sick industrial units have increased. House keeping has suffered and incidence of frauds and robberies have been on the rise. While there has been an explosion in the number of transactions, the work technology in banks has not changed. Whereas aspirations and expectations of the people from the banking system have increased customer service, which has affected adversely.

2.7 SOCIAL OBJECTIVES OF THE NATIONALISED COMMERCIAL BANKS

Failures of banks was a regular feature in the pre-independence period and, though to lesser extent, even in the post independence period. The banking industry then was in the hands of private entrepreneurs. As a result customers were always cheated and their hard earned money was forfeited whenever banks failed. So nationalisation of bank was a long run demand. The demand finally was satisfied when, 14 major commercial banks operating in the private sector were nationalised in 1969 at the first instance and subsequently, again in 1980 another six commercial banks were also nationalised, in in terms of Banking Companies Act, 1970 (Acquisition & Transfer of Undertaking) with the aim “to control the heights of the economy and to meet progressively and serve better
the needs of development of the economy in conformity with national policy and objectives. The main objectives of bank nationalisation were to help the weaker section of the society in agriculture and allied sectors, small scale and cottage industries.

This was made possible because bank nationalisation enabled the commercial bank and Government as well to venture in this direction and direct a small portion of bank's funds for welfare of the above mentioned sector. It was a major step in social welfare. All commercial banks after nationalisation, have accepted social obligations as a part of their functioning. The old concepts, attitudes and methods in banking have yielded place to new techniques of viability, need based finance and marketing. Instead of the banks merely moving with the slope into immediately profitable ventures, they are required to participate in the nation building activities and help in bringing about socio-economic changes. Thus banks are termed as social organisations and they have to go out to the people and assists weaker section in achieving their aspirations. Rethinking on the actual functioning of banks in post nationalisation era, termed banks as catalytic agents for the development of the country, mobilising resources, wherever found and channelising them towards productive purposes. Thus the concept of priority sector lending developed. The traditional nature of short term lending concept of banks has changed. At the same time functional area of banks have been extended to semi urban and rural area as well, which was earlier restricted to urban area only.

In 1969, the slogan was introduction of mass-banking. Infact, prior
to this period, private banks mostly operated in the urban and semi-urban areas. Banking facilities were out of reach of rural people. This in tune, hampered our savings habits and hence investment. So spread of bank branches to remote areas was also need of the hour. After nationalisation, the government decided to extend banking facilities to rural areas. The 1969 reform of banking sector got tremendous success in the sense that there was a phenomenal growth in the number of banks branches to reach every nook and corner of the country. However, in other senses, it was a total failure. The average population served by per bank office was 65000 in June, 1969. After opening of the new branches the figure was reduced in June, 1994 to 10,000 of population served by a branch.

Agriculture and small scale industries are considered as important priority sectors. The balanced economic growth of our country, to a large extent, depends upon the development of these two priority sectors. The Reserve Bank of India does not provide agriculture finance directly to farmers but through the institutions like Co-operative Banks. The commercial banks and the NABARD grant credit facilities to these sectors at comparatively lower rate of interest. Total amount invested in 1968 was just Rs. 67 crore, while it increases to Rs. 20,000 crore in the year 1994.

Today, we are in a world of IT. Due to liberalisation, globalisation and privatisation of various sectors of the economy, opening up of multinational in every sphere of economic activity, IT has become more and more powerful as a tool to achieve many of the corporate and social
goal as well. Banking industry is no exception to this. Computerisation in the banking industry started looking up in mid eighties after the visionary report of Dr. C. Rangarajan who can truly be called as father of computerisation in banking industry. Information technology in banking industry is being used to provide better services to customer. For instance home banking, boutique, cluster banking concept, ATM cards, SMART CARD, ELECTRONIC PURSE, PIN, SWIFT etc. are being used by banks to help socio-economic change. In a liberalising economy banking and financial sector reforms assume high priority. It needs no stressing that entire structure developed and developing society has banks at their very base. More the development spread of corporate, technical, industrial section more and more is the need of banking and finance issuing from them. The development in banking and their proper operation in the social perspective of the society is a sound guarantee of progress and prosperity and its spread all the world over. The globalisation requires adhering to standards and yardsticks that are universally applicable. Indian banking industry is being affected by the dynamic and highly competitive global banking environment. The banking has now become global concept and entity. They are not only need to reduce operating costs but also design innovative strategies to attract and retain customers and react quickly and flexible to market changes.

Public sector bank were created as instrument of social banking. A New Policy “Social banking is sought to be replaced by profit banking. Adoption of rigid and alien banking accounting norms has made the position difficulties for the number of public sector banks. Social lending
purpose cannot affect the profitability of the banks. In the era of liberalisation, no industry can do away with profit. From this point of view Reserve Bank of India should follow the recommendation of Narsimham committee to reduce advance priority sector from 40 percent to 10 percent resulting in reduction in NPA. Another course has given positive result to adopt VRS scheme by public sector banks, the profitability of banks have increased in half yearly results. Profit is essential for the source of finance. Profit motive has made the whole of the economic system natural in its operation. A natural operation of the economic system is the most desirable thing in the world and it alone can add permanence to an organised human society. Even the concept of social responsibility is not opposed to the concept of profit maximization. It simply insists on purity of means to be adopted for profit maximisation which should never be exploitative and anti-social.
NOTES & REFERENCES


3. The word 'banking' and 'banks' relates to commercial banking and commercial banks respectively unless otherwise stated in the text.


