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CHAPTER – [1] | [Introduction] 1.1 Introduction to the Indian Banking Sector Banking Sector is the backbone of any financial system and economy. Commercial banks play an important role in the development of underdeveloped/developing economies by mobilization of resources and their better allocation. Indian Banking System is regulated by the central bank of the country i.e. Reserve Bank of India (RBI), which was nationalized in 1949. RBI is the primary regulator for the banking sector and the government exercises direct and indirect control over banks through RBI to protect the depositors and to stabilize the banking system. Extensive powers have been conferred on RBI under the RBI Act, 1934, and Banking Regulations Act, 1949. In 1969 the government nationalized 14 major banks to break the ownership and control of few leaders of Banking and industry over the economic power and banking system. This has resulted in balanced geographical growth of banks in rural areas and small towns, as it accounts for majority of the population. Government as the owner of the banks decided the agenda for the banks and directed the flow of the credit. The focus changed from class banking to social banking. This social transformation process though resulted in unprecedented expansion of banking and financial system. However the regulated business environment, poor quality of credit portfolio due to social lending without adequate safeguards against defaults, thin margins on social lending, disruptive tactics of trade unions, increasing number of loss making branches due to unmindful branch expansion in rural areas and other factors resulted in sacrifice of the service quality and the operational productivity and profitability of these organizations. The banks still managed to survive due to the regulated business environment which killed the scope for competition among banks. The Indian banking system has changed a lot over the last five decades especially in the last 15 years with India taking to the path of free market economy and globalization with clear commitments under WTO (World Trade Organization) regime. A journey from private ownership and control of commercial banks to government ownership and control by way of nationalization, has come in full circle in the wake of liberalization and introduction of new players in the shape of Private Sector Banks and Foreign Banks. Fresh induction of public stake and corporate governance in government owned banks has brought the element of stiff competition in the environment with greater adoption of the new technologies and ideas, renewed perception of service quality along with the high degree of professional management and marketing concepts in the Indian Banking system.