PREFACE

Origin of banks has been traced to ancient times and historically banks have been the pillars around which the economy revolved. With passage of time, banks evolved from a custodian of peoples' money to a multi disciplined institution facilitating trade and commerce and act as a participative intermediary between organizations and individuals across the country. The period prior to the eighties had seen a lot of turmoil in the banks, mainly promoted by the industrial and business houses, with many a banks going bust and eroding the wealth and confidence of general public leading to a more cautious approach of the government think tank culminating in the nationalization of major banks. In the process Indian banks drifted away from the international arena, concentrating more on domestic markets thereby insulating themselves from the winds of change. With the opening up of Indian economy in early nineties and changing requirement of our Corporates, the Indian banking industry witnessed a complete metamorphosis. The complex and dynamic state of economy across the globe brought about a sea change both in terms of focus and approach of the government and private banks were allowed to operate and bring in more flexibility in terms of operational efficiency and services. This was a watershed decision on the part of the government which not only ushered in various forms of economic liberalization, but also paved the way for subsequent changes in the banking industry. The existing banks, both Public Sector
Undertaking Banks and the Old Generation Private Sector Banks, were now faced with a twin dilemma of retaining market share from the onslaught of the so called New Generation Private Sector Banks as well as imparting international standards of customer services based on market requirement. The New Generation Private Sector Banks by virtue of their strategy of market penetration and product innovation revolutionized the entire concept of banking and introduced the concept of New Age Banking to the Indian customers. The New Generation Private Sector Banks while increasing their market presence also realized their role as participants in the rural growth story and concentrated on network expansion, which in turn led to a more healthy form of aggressive competition from the existing banks in India. The Reserve Bank of India in the meanwhile kept on upgrading policy guidelines based on international standards of banking and practice without sacrificing the essence of prudence and financial security. Strict controls in the form of Prudential Norms and Basel II compliances acted as speed breakers in the larger interest of the country thereby ensuring a smooth transition of a closed economy to a more open and aggressive economy. While enforcing the strictures in an economy where market forces acted as determinants of pricing and growth, The Reserve Bank of India ensured that the basic tenets of inclusive growth and financial empowerment were never compromised by the banks for the sake of socio economic growth and development of the country.