CHAPTER - 3

NATIONALISATION OF THE BANKS AND THE MAHARASHTRA'S INDUSTRIAL POLICY
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Nationalisation is one of a number of ways in which the state can alter or terminate the control or ownership of private property. Nationalisation is customarily though not exclusively associated with the implementation of communist or socialistic themes of government. The process of nationalisation may take various forms. The assets of the nationalised companies are transferred to the state or the share capital is made the object of the transfer, leaving the company in existence to carry on its business under state control. In any event, the result is ultimately that title to or control over the property is placed in the state itself or in state established and publicaly controlled organ.¹

To establish social control over the commercial Bank, the Government of India has established National Audit council and the Banking laws Amendment Act 1968.²

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1. Mishra S.K., Puri B.K., Bhartia Arthyavatha, Pg. No.916.
2. Ibid Pg. No.917.
In the parliament of India (Lok Sabha) the legislation for nationalisation of commercial Banks was introduced and after arguments, it was sent to the special committee for thorough study. The special committee submitted its report to the Lok Sabha and after deliberate discussion on it, Lok Sabha, Rajya Sabha lastly approved it and sent it to the president of India for his ascent. After his signing this legislation was converted into the Banking Laws Amendment Act, 1968\(^1\). It was published by the Government of India in the Gazette of 1968, immediately its copies were sent to the related Departments. Govt. of India implemented it on 19th July, 1969 and number of the commercial Banks were connected and they become Nationalised Banks, immediately.

Maharashtra's Bombay was industrially developed at a time of Independence day of India. Cotton Industry was established in Nineteenth century i.e. approximately hundred years prior to the Independence. Along with the production of cotton, the industries which produce machinery, mineral, and many other household articles were produced in the Industrial sector. Today Maharashtra state is much more developed in comparison with the other states. Banking, Financing, Raw material, atmospheric conditions are

\(^1\) OP-CIT, Pg.No. 918
all suitable for the expansion and development of various types of Industries energy and minerals are available.

In 1960 Maharashtra state principal produce was consumer goods. In 1985 Maharashtra undertook the projects and completed them and started producing tools and machine spare parts, chemical, petroleum product, transportation, Industrial product luxury goods and products etc..

The transformation in the Industrial policy of maharashtra open new avenues for the expansion of Industry, new investment, modelization, multiplication, export employment and so on. This policy of Govt. of Maharashtra is in accordance with the Industrial policy of Govt. of India. The special features of this policy are as follows.

1. Dismantle the Bombay, Thane, Pune belt and re-establish it in the backward areas of the state i.e. Vidarbha, Marathwada and Khandesh.

2. More developed Agro base Industry to be established in public and private sector like milk and milk-base Industries, handloom and so on.

3. To establish big Industrial project in joint sector.

4. Small scale Industries, house hold Industries cottage Industries are also to be expended and developed into state.
5. To encourage the establishment of electronics and technological developed of Industries in the under developed areas.

6. To encourage self employment in the small Industries sector and soon.

To help the new entrepreneurs in establishing the desired industry in any sector and to encourage the old entrepreneur for expansion and development of the industry for giving superior lezary and increase in their productions.

The Government of Maharashtra initiated and encourage the desired person to establish his own industry. The following institutions helped and aided the sick industries.

1. Maharashtra industrial development corporation. (M.I.D.C.)

2. Maharashtra state small scale Industries development corporation. (M.S.S.I.D.C.)


4. Maharashtra state finance corporation (M.S.F.C.)

5. Regional development corporation (R. D. C.)

6. District Industrial center (D.I.C.)

7. Khadi cottage industrial corporation and

8. Industry- friend.
They help to overcome their row bucks and reinstate them in the main production stream. These agencies increased and helped new industrialist in establishing and starting the production of their produce. Furthermore, they have made possible for them to hypothicate their production, Furthermore, they have made possible for them to hypothicate their production with the bank till it is marketed. The impact of these institutions can be seen under Industrial growth of the state.

1. Maharashtra's Industrial Policy Decentralisation of Industries:

Maharashtra's economy is a developing economy, special efforts are needed to create small-scale entrepreneurship on a decentralised pattern. A tool which has been found useful in creating entrepreneurship in the establishment of a large industry. It serves as a nucleus for a number of large industries, which serves as a nucleus for a number of ancillary units to come up as a supplier of various parts of components. Similarly, the establishment of an industrial estate result in the rapid growth of small enterprises. The reason why these industries making tools are useful is that they provide certain basic facilities for industrial growth. On the one hand, they guarantee or open agencies for the sale of the end product, and on the other they take care of prerequisites like water, power.

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transport and technical know-how. The first thing for creating entrepreneurship is therefore, the provision of these pre-requisites and creation of demand for end-products. An entrepreneur knowing that his production will not be handicapped on account of the non-availability of any of these industrial prequisites, besides being ensured of the salability of his end-products, will be all out of embark on an industrial venture¹.

In the development of Maharashtra, human resources constitute a major resource that is relatively abundant and it is, therefore imperative that they are full and effective socio-economic policies, in contrast to capital intensive management oriented industries using modern technology labour. Intensive industries are often those in which smaller firms predominate that weigh in favour of small sector, are as follows.

Advances of small sector, small firms using simple technology can often adjust & more readily to a developing social and cultural environment and that can bore easily develop links with not manufacturing sectors and avoid the duality associated with large units.

Development of smaller enterprises helped to

¹ - Desai Dr. Vasant, Problems and Prospects of Small Scale Industries in India. Pg. No. 297.
enlist broader participation in economic benefits and decisions.

Small firms are often technically innovative, devising or adapting production techniques suited to the Maharashtra's circumstances. The more modern technologies offer little scope for improvement through indigenous ingenuity small sector can often better serve the limited, fragmented markets in Maharashtra.

The development of small sector and tiny sector facilities the dispersion of manufacturing activity, and so can help reduce regional imbalances, urban concentration and minimise adverse environmental impact.

The villages and small industries sector in Maharashtra consists broadly of.

1] Traditional cottage and household industries, (viz handloom, khadi and village industries, etc.)

2] Modern small-scale industries [defined as those having investment of up to Rs.20 lakhs in fixed assets in plant and machinery of Rs.25 lakhs in the case of ancillary industries]. A number of industries produce certain essential articles required by the masses and also some other items which are exported¹.

¹. OP-CIT, Pg.No. 283.
Government of Maharashtra as per the decentralization policy, created new industrial districts in the Backward regions of the state and further more opened new sub-centres of these district centres, thereby reaching to the inner part of Maharashtra and establishing industrial contact and awareness in the people who reside in the remotest areas of Maharashtra.

2. India's Nationalisation Policy:

As per the Banking Laws Amendment Act 1968, Govt. of India decided to nationalize such banks which have deposits of 50 crores of Rs. or more. The search was carried out to assess the deposits of the commercial banks. It was found that fourteen commercial banks have deposits of 50 crores or more. Government took the decision and nationalised these fourteen banks on 19th July 1969. Thereon the Government had made the policy that whichever commercial bank attached the deposit of Rs. 50 crores or more, will be nationalised one. Under this policy, more commercial banks were nationalised and today there are 19 nationalised banks. The list of these nationalised banks is given below:

1] State Bank of India
2] Central Bank of India
3] Bank of Maharashtra
4] Bank of Baroda
5] Union Bank of India
6] Allahabad Bank
7] Dena Bank
8] Punjab National Bank
9] Indian Bank
10] Bank of India
11] Syndicate Bank
12] Canara Bank
13] State Bank of Hyderabad
14] State Bank of Indore
16] United Western Bank
17] Sangli Bank
18] Akola Gramin Bank
19] United Commercial Bank

The banks listed in serial no. 15 to 19 are those banks which are not taken for analytical study. The nationalised banks carrying out business in the Akola district along with their branches and sub branches are given in the following chart.
<table>
<thead>
<tr>
<th>S.L.</th>
<th>Name of Nationalised Banks</th>
<th>Total number of branches</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>State Bank of India</td>
<td>1 main branch</td>
</tr>
<tr>
<td>2.</td>
<td>Central Bank of India</td>
<td>29 Branches</td>
</tr>
<tr>
<td>3.</td>
<td>Bank of Maharashtra</td>
<td>30 Branches</td>
</tr>
<tr>
<td>4.</td>
<td>Bank of Baroda</td>
<td>17 Branches</td>
</tr>
<tr>
<td>5.</td>
<td>Allahabad Bank</td>
<td>3 Branches</td>
</tr>
<tr>
<td>6.</td>
<td>Union Bank of India</td>
<td>2 Branches</td>
</tr>
<tr>
<td>7.</td>
<td>Bank of India</td>
<td>5 Branches</td>
</tr>
<tr>
<td>8.</td>
<td>Syndicate Bank</td>
<td>1 Branch</td>
</tr>
<tr>
<td>9.</td>
<td>Punjab National Bank</td>
<td>1 Branch</td>
</tr>
<tr>
<td>10.</td>
<td>Canara Bank</td>
<td>1 Branch</td>
</tr>
<tr>
<td>11.</td>
<td>United commercial Bank</td>
<td>3 Branches</td>
</tr>
<tr>
<td>12.</td>
<td>Dena Bank</td>
<td>2 Branches</td>
</tr>
<tr>
<td>13.</td>
<td>Oriental Bank of commerce</td>
<td>1 Branch</td>
</tr>
<tr>
<td>14.</td>
<td>Indian Bank</td>
<td>2 Branches</td>
</tr>
<tr>
<td>15.</td>
<td>United western Bank</td>
<td>3 Branches</td>
</tr>
<tr>
<td>16.</td>
<td>Sangli Bank</td>
<td>1 Branch</td>
</tr>
<tr>
<td>17.</td>
<td>State Bank of Hyderabad</td>
<td>1 Branch</td>
</tr>
<tr>
<td>18.</td>
<td>State Bank of Indore</td>
<td>1 Branch</td>
</tr>
<tr>
<td>19.</td>
<td>Akola Gramin Bank</td>
<td>47 Branch</td>
</tr>
</tbody>
</table>

Total: 152 Branches

The Nationalisation of Bank has established the cordial contact between the masses and the financial
Institutions. There by enlarging the area of function of the banks are entrusted with the responsibility to develop the society economically beside its routine responsibility. Today the impact of the nationalization policy can be seen in the adaptation of the particular village for its over all development.

3. Nationalization of the Banks :-

The Nationalization of the banks follows the social control scheme of Government of India's banking policy in 1967. The following objectives of social control were to become the most important landmark in the development of the Indian banking industry:

1. To change the constitution of the board of directors to bring about more professionalisation.
2. To control the credit extended by Banks.
3. Increasing further the power of reserve Bank of India (RBI) and
4. Setting up an apex level management institute to cater to the training needs of banks, skill development, viz, National Institute of Bank management (N.I.B.M.).

Government of India to boost up the development of the banking industry set up national credit council to assess fully the credit equipment of various sectors of the economy especially
agricultural, S.S.I. Export and weak section which later came to be known as priority sector. In the process, lead Bank scheme was implemented. However, despite of social control adoption of area approach of vesting the Reserve Bank of India with more power, the desired objectives of planning could not be achieved. With a view to overcome this problem and employing the banking sector in achieving national objective, 14 large commercial banks having deposits of Rs. 50 crores and above were nationalised on July 19, 1969. The desired objectives of nationalisation of banks were:

i) Widening the branch network of banks in embanked/underbanked areas with large accent on semi-urban and rural centres.

ii) Mapping up saving potential of the economy through bank deposits in a considerable measure.

iii) Reorienting credit flows in such a way so as to ensure that the benefit of credit flow goes to agriculture, small scale industries (S.S.I.) and other hitherto neglected areas.¹

In order to achieve their objectives several measures were initiated by the Reserve Bank of India (RBI) viz,

¹ - IBA BULLETIN, Image of Banking, Pg. No. 5
1] Implementation of the branch licensing policy with special emphases placed on opening branches in rural embanked/underbanked areas.

2] Diverting Credit of nationalised banks to the identified sectors of the economy collectively known as priority sectors, by fixing a target of 40 percent of credit with sub-target for various sub-sectors.

3] Fixing a target of 60 percent CDR to be achieved by all rural/ semiurban areas to reduce the regional disparities in bank assistance.

4] Directing nationalised banks to change concessional rate of interest on credit to weaker sections.

5] Introduce selective credit controls and credit authorisation schemes to control credit flowing to sensitive commodities and large industrial borrowers.

What ensued nationalisation of major banks and implementation of various policy measures entirely changed the face of banking industry. There was a sudden shift from class banking to mass banking. Banking parameters grew manifold. The banking net was cast wider thereby bringing in its fold a variety of depositors and borrower from all sections of the society and from all the area of the country. The magnitude of change could be gauged
from a brief account of the growth of banking industry during this period.

The banking industry recorded substantial increase in the number of branches in the post-Nationalisation period till 1985, but the pace slowed down considerably in subsequent period in view of a decline in availability of viable centres and growing thrust on profitability. Yet the total number of branches of commercial banks rose from 8,262 in June 1969 to 59,815 in June 1990. As a result average population served per branch has come down notably from 64,000 in June 1969 to 14000 in 1990. In rural areas the average number of villages served by a rural/semi-urban branch has come down from 300 in 1969 to 20 in 1989.

Banks have succeeded not only in meeting credit needs of vital sectors of economy viz., Agricultural small scale Industries, small business, Transport operators etc. but have contributed to an all-round growth of rural economy.  

Another landmark development of this phase was the process of liberalisation and deregulation that was initiated to supplement the economic and industrial policy liberalisation ushered in the policy-makers.

1 - OP-CIT, Pg. No. 6.
From review of various landmark development as mentioned above it may be inferred that Indian banking industry has taken a giant leap forward and successfully met all challenges thrown at it. While in the process of growth the industry has developed certain weaknesses and strained itself nevertheless, corrective steps have to be taken to invigorate it through improving profitability, productivity and operational efficiency. The industry will have to be strengthened and consolidated to enable it to operate under future competitive environment following deregulation and liberalisation of economy.

4. M.I.D.C.'s role in re-location of the old small scale Industries in new Industrial complex :-

The new Industrial policy of the Government of Maharashtra was implemented in the nook and corners of Maharashtra through M.I.D.C. and its branches.

In 1966 M.I.D.C. at Akola city played a dominant role in expansion and development of the following six small scale Industries.

1) K.K. Savana
   Taganapeth Akola

2) M/s Bagadi Trade and Indus corporation
   Kirana Bazar, Akola.
3] Associated Engineer

Enter-prises, P-Box no. 26, Akola.

4] Sagmap Chemical

port of M/s. Laxmi ford, Alsiplot, Akola.

5] Asiandye chemical

Sethi Bhavan, near D.C. office, Akola.

M.I.D.C. authorities all the arrangements

to render all types of help and provide essential facility to

the above mentioned six units to start their sub-units in

the allotted blocks given below:

1] B-1, 3900 sq. meters Associated Engineer.


3] B-3, 4100 sq. meters, Asiandye chemicals.

4] B-5, 4060 sq. meters, sagmap chemical.

5] B-6, 4025 sq. mètres m/s Bagadi Trade and Industries.


These were the pioneers of the industrial

complex at Akola. These were the six small scale Industries

out of 202 S.S.I, which took the advantage of M.I.D.C.

and let the new Industrialisation movement of the Akola

city. ¹

M.I.D.C. has played a council role in

establishing these new branch of the old small scale

Industries.

1. Documents of M.I.D.C.
in an association with Vidarbha chamber of commerce and some of the leading banks in the Akola city.

5] Directives to the Nationalised Banks to finance the small scale Industries units:

Government of Maharashtra along with the Reserve Bank of India (RBI) issued the following directives to the Nationalised Banks in the state of Maharashtra to finance and assist the small scale industrial units in the state.

The first directive issued by the Government of Maharashtra to the Nationalised bank in the state is as follows:

The Nationalisation of major banks and implementation of various policy measures changed the face of banking industry. There was a shift from class banking to mass banking. The banking sphere was enlarged by bringing in its fold a variety of depositors and borrowers from all classes of the society. The dynamic change could be measured by the account of the growth of banking industry during this period.

The banking industry recorded increase in the number of branches offer the its growth has been slowed down.

The deposits of the banking industry recorded a increase from Rs. 4646 crores in June 1969 to about Rs. 200,036 crores at on 31st march 1971.
Bank credit in the post nationalisation period emerged as a strong instrument of accelerating the pace of economic growth in the country. Banks have succeeded in meeting credit needs of vital sectors of economy viz-Agriculture, small scale Industries, small Business, Transport operators etc., but have contributed to an all-round growth of rural economy.

Along with the developmental needs of the country by deploying credit in priority sectors, commercial banks also contributed to the other aspects development process in other fields.

Indian banking industry witnessed an important landmark in the field of social banking which can be measured by the fact that banks have achieved major targets of social banking entrusted to them by the Reserve Bank of India (RBI) and the government viz, providing creditor small business, weaker sections etc.

Another landmark development of this phase was the process of liberalisation and deregulation that was initiated to supplement the economical industrial policy liberalisation ushered in by the policy liberalisation ushered in by the policy makers.¹

¹ - IVA Bulletin, Image of Banking, Pg No. 7.
The Cabinet Finance Minister of India Dr. Manmohan Singh while presenting Annual Budget 1993-94 clarified following points which are related to S.S.I.

1. Industrial licensing abolished for all projects except for a short list of industries related to security and strategic concerns, social reasons, hazardous chemicals and overriding environmental reasons and items of elitist consumption.

2. Industries reserved for all small scale sector continue to be so reserved. The list specified above, for licensing will not be applicable to S.S.I.

3. Existing registration schemes (Delicenced Registration exempted Industries Registration DGTD registration abolished.

4. Entrepreneurs now will only be required to file an information, memorandum on new projects and substantial expansions.

5. Convertibility clause for term loans from financial Institution no more applicable for new projects.

Maharashtra Industrial policy is closely linked with the Government of India's policy of the Nationalization of the bank. Nationalised banks are closely attached with the Industrial development of the state by
the Government of Maharashtra through its legislature and administration. Akola District M.I.D.C. Complex has gone through four expansion cards. This has become possible through the financing of the nationalised banks to the small and medium Industry, entrepreneurs. The Government has issued and realised the directives given to the nationalised banks in financing small scale Industrial units in the M.I.D.C. Akola and see that these sums are utilised for the given purposes. Thus the growth of M.I.D.C. Akola has taken place.