

Bank Nationalization in India

Indian Banking history can be traced to 19th century. During the colonial era many Indian banks were founded either by the Presley States or by wealthy individuals. The primary aim of most of the banks was to cater financial needs of trade and industry in that locality. During this period the banking services became the privilege of big business firms and wealthy individuals. Masses were denied easy credit and banking services. Agriculture and rural small scale industries did not have access to credit facilities and banking services. They depended on village money lenders and other private financiers to fund their activities. These local financial prodders exploited the rural population by charging enormous interest rates and harsh repayment conditions.

Nationalization of banks in India by then Indian Prime Minister Indira Gandhi wrote a new chapter in Indian Banking history. The nationalized banks in India were compelled to focus on rural and agricultural sectors as a part of their social responsibility. Their resources were utilized to empower farmers and agricultural laborers in order to free them from the clutches of money lenders.

Nationalization of banks in India was done in two phases. The first phase of nationalization started in 1955 when the erstwhile Imperial Bank of India became State Bank of India with an Act of parliament. During 1959, seven subsidiaries were nationalized and associated with State Bank of India one by one. This heralded a new beginning in Indian banking system. The State Bank group became the largest bank in India serving 90 million customers with a network of over 9000 branches in nook and corners of the country.

The second phase of nationalization started in 1969 with the nationalization of 14 major commercial banks in India. In 1980, 6 more commercial banks were nationalized and became public sector banks. After this period the Public Sector Undertaking banks expanded their reach and grew in leaps and bounds.

The nationalized banks in India expanded their branches and spread their activities across the country. The PSU banks introduced new schemes and programs to cater all sections of the society. Thus the nationalization of Banks in India helped the masses to avail banking services at affordable cost.

Banks Nationalization Chronology

- 1955 – State Bank of India nationalized.

- 1959 – 7 subsidiaries nationalized and associated with SBI.
 1. State Bank of Bikaner and Jaipur
 2. State Bank of Hyderabad
 3. State Bank of Indore
 4. State Bank of Mysore
 5. State Bank of Patiala
 6. State Bank of Saurashtra
 7. State Bank of Travancore

- 1969 – 14 major commercial Banks nationalized on 19th July 1969.
 1. Allahabad Bank
 2. Bank of Baroda
 3. Bank of India
 4. Bank of Maharashtra
 5. Canara Bank
 6. Central Bank of India
 7. Dena Bank
 8. Indian Bank
 9. Indian Overseas Bank
 10. Punjab National Bank
 11. Syndicate Bank
 12. UCO Bank
 13. Union Bank of India
 14. United Bank of India

- 1980 – 6 more commercial Banks nationalized.
 1. Andhra Bank
 2. Corporation Bank
 3. New Bank of India
 4. Oriental Bank of Commerce
 5. Punjab & Sindh Bank
 6. Vijaya Bank