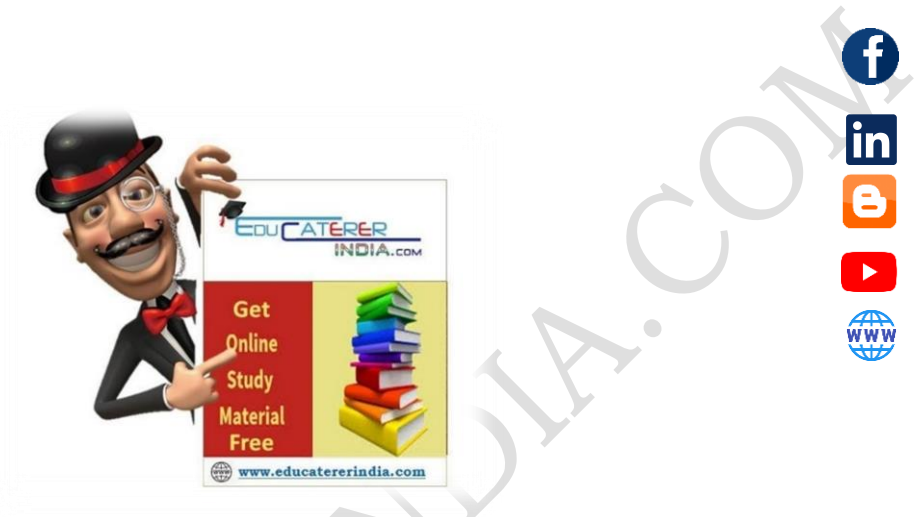
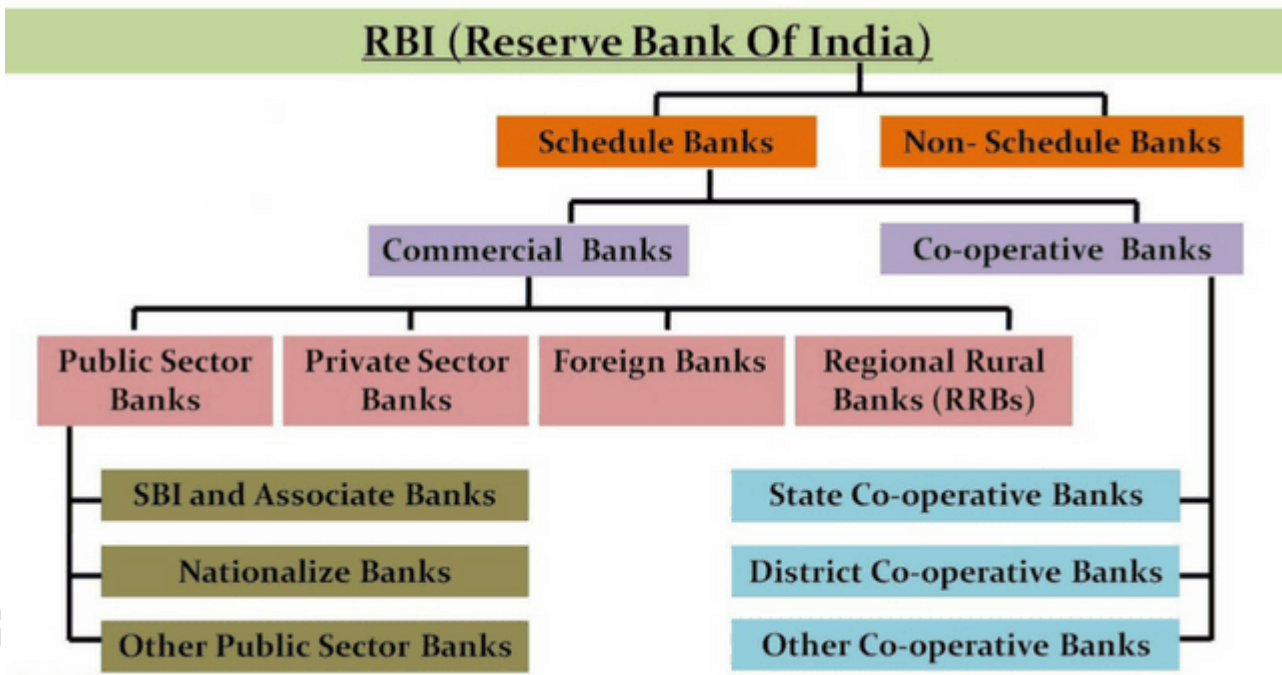


Structure of Indian Banking System with Diagram



. Banking System in India or the Indian Banking System can be segregated into three distinct phases:



A. Early Phase of Indian Banks, from 1786 to 1969

The first bank, namely Bank of Bombay was established in 1720 in Bombay. Later on, Bank of Hindustan was established in Calcutta in 1770. General Bank of India was established in 1786. Bank of Hindustan

carried on the business till 1906.

First Joint Stock Bank with limited liability established in India in 1881 was Oudh Commercial Bank Ltd.

East India Company established the three independently functioning banks, also known by the name of “Three Presidency Banks” - The Bank of Bengal in 1806, The Bank of Bombay in 1840, and Bank of Madras in 1843. These three banks were amalgamated in 1921 and given a new name as Imperial Bank of India. After Independence, in 1955, the Imperial Bank of India was given the name "State Bank of India". It was established under State Bank of India Act, 1955.

In the surcharged atmosphere of Swadeshi Movement, a number of private banks with Indian managements had been established by the businessmen from mid of the 19th century onwards, prominent among them being Punjab National Bank Ltd., Bank of India Ltd., Canara Bank Ltd, and Indian Bank Ltd. The first bank with fully Indian management was Punjab National Bank Ltd. established on 19 May 1894, in Lahore (now in Pakistan).

B. Nationalization of Banks and the Banking Sector Reforms, from 1969 to 1991:

The number of banks in India in 1951 was the highest – 566. In 1960, RBI was empowered to force the compulsory merger of the weak banks with the strong ones. This led to a reduction in the number of banks to 89 in 1969.

On July 19, 1969, 14 major banks were nationalized.

On April 15, 1980, another six banks were nationalized and thus raising the number of nationalized banks to 20.

C. New Phase of Indian Banking System, with the Reforms After 1991:

On the suggestions of Narasimha Committee, the Banking Regulation Act was amended in 1993 and thus the gates for the new private sector banks were opened.

In 1993, New Bank of India was merged with Punjab National Bank. “Industrial Development Bank of India (IDBI)” - was established as a Development Bank in 1964 - by an act of Parliament. It was given the status of a scheduled bank in September 2004 by RBI.

Bharatiya Mahila Bank Ltd – all women’s bank was established in 2013. It is based in New Delhi. Its first branch started its operations on November 19, 2013. The inauguration was done by former Indian Prime Minister S. Manmohan Singh.

The present structure of Indian Banking System is as follows:-

Reserve Bank of India is the central bank of the nation and all Banks in India are required to follow the guidelines issued by RBI. The present structure includes:

1. PUBLIC SECTOR BANKS:

These include:

Currently, there are 27 Public Sector Banks in India including 19 Nationalized Banks (14+6 – 1 New Bank of India merged with PNB in 1993 + SBI which is not a nationalized bank + Five Subsidiaries of SBI + IDBI + Bharatiya Mahila Bank – established under Parliament of India Acts).

State Bank of India and its 5 Associate Banks, together called State Bank Group (The names of the 5 Associate Banks are: State Bank of Travancore (SBT), State Bank of Patiala (SBP), State Bank of Hyderabad (SBH), State Bank of Mysore (SBM) and State Bank of Bikaner and

Jaipur (SBBJ). The Union Cabinet approved the merger of the five subsidiaries; and Bharatiya Mahila Bank Ltd with SBI on June 15, 2016, and the merger is in progress.

Regional Rural Banks (RRBs): Previously these were 196 Regional Rural Banks sponsored by 27 State Cooperative Banks. As on 31st March 2013 due to mergers, their number has come down from 196 to 64. The numbers of branches of RRBs are 17856 as on 31 March 2013 covering 635 districts throughout the country. Notably, currently, there are 664 districts in India.

Development Banks: These include Industrial Finance Corporation of India (IFCI) established in 1948, Export-Import Bank of India (EXIM Bank) established in 1982, National Bank for Agriculture & Rural Development (NABARD) established in 1982, and Small Industries Development Bank of India (SIDBI) established on 2nd April 1990.

2. PRIVATE SECTOR BANKS:

These include:

1. **Private Banks and Foreign Banks:** These include Private Banks and Foreign Banks in India. Currently, there are 23 banks operating in India in this category.
2. **District Central Co-Operative Banks in India:** As on 01.04.2016, there are 371 District Central Cooperative Banks in India with the maximum number of these located in U.P. (50) and Madhya Pradesh (38).