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Banking Development in India

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Abstract
India has a long history of financial intermediation. The first bank in India was set up in 1770 and named as Bank of Hindustan. The earliest attempt to establish a Central Bank was in 1773. India was also a fore runner in terms of development of financial markets. By independence, India had a fairly well developed commercial banking system in existence. In 1951, there were 566 private commercial banks in India with 4151 branches, the majority of which were confined to large towns and cities. The Reserve Bank of India (the Central Bank of the Country) was established in 1935 as a shareholders institution like the Bank of England. The Reserve Bank of India became a state owned institution from January 1, 1949. It was only in this year that the Banking Regulation Act was enacted to provide a framework for regulation and supervision of commercial banking system. The institution building and development of the financial system was propelled by the planners after independence. The vision was to ensure that sectoral needs of credit to agriculture and industry were met in an organised manner. The RBI was vested with the major, responsibility of developing the institutional infrastructure in the financial system. The commercial banking system was expanded to take care of the general banking needs of accepting deposits and extension of loans. In July 1969, 14 biggest commercial banks were nationalised as a major step to ensure adequate credit flow into genuine productive areas in conformity with plan priorities. Two significant aspects of nationalisation were (1) rapid branch expansion and its channelling of credit according to plan priorities. In April 1980, 6 more commercial banks were further nationalised, thus, extending the domain of public sector over the banking system. The reforms in banking sector were introduced in June 1991 in the wake of balance of payments crisis, which was certainly severe. Reforms have altered the organisational structure, ownership pattern and domain of operation of banks. The main thrust of reforms in the financial sector was the creation of efficient and stable financial institutions and markets. Reforms in the banking sectors focused on creating a deregulated environment, strengthening the prudential norms and the supervisory system changing the ownership pattern, and increasing competition. The objective of reform was also to create an environment where existing banks could respond to changing circumstances and compete with new domestic private and foreign institutions that were permitted to operate. Competition has been infused into the financial system by licensing new private banks since 1993. Foreign banks have also been given more liberal entry. The presence of these banks have increased their share in the financial system and has improved the efficiency of the system.
As a part of central banking activities and the overall economic perspective of the banking system of the country, RBI collects a vast amount of information on the banking system through various statutory and control (non-statutory) returns. Control returns cover various aspects of banking information like spatial distribution of deposits and credit, international banking, priority sectors, etc. Each aspect is again defined by its own separate statistical system. Against this background, the information based on statutory returns and those of control or special returns are available separately.

1. Introduction

Currently, India has 89 Scheduled Commercial Banks (SCBs) – 26 (including six SBI Group) nationalised banks (that is with the government of India holding a stake), 20 private banks (these do not have government stake; they may be publicly listed and traded on stock exchanges) and 43 foreign banks.
These banks have a combined net work of 88,562 branches at the end of March 2013 and 1,14,000 ATMs. Out of 88,562 branches; 72,661 branches are of public sector banks, 15,569 branches are of private sector banks and 332 branches are of foreign banks. The nationalised banks which are 20 in numbers have 52,480 branches and State Bank Group (6) has 18,708 branches. Amongst the 15569 branches of private sector banks, the branches of old private sector banks are 6047 and branches of new private sector banks are 9522. Out of 88562 total branches of scheduled commercial banks; 26493 are rural, 25009 are semi urban, 19027 are urban and 18033 are metropolitan. The rural, semi urban, urban and metropolitan branches of public sector banks are 24124, 19554, 15080 and 13903 respectively. The public sector banks consist of nationalized banks and State Bank Group banks. Out of 72661 public sector banks' branches, the branches of nationalized banks are 52480 and that of State Bank Group are remaining 20181.
The total number of ATMs at the end of March 2013 of scheduled commercial banks are 1,14,000 out of which 55760 are on site and 58240 are off-site. The ATMs of public sector banks are 69650 and that of nationalized

banks are 37000. Out of 1,14,000 ATMs, the ATMs of private sector banks are 43100. However, whereas old private sector banks' ATMs are 7566 that of new private sector banks' ATMs are 35,500.

2. Review of Literature

The review of literature here is divided into two parts. The first part consists of the review of studies conducted by individual researchers and the second part deals with the report submitted by various committees appointed by RBI and Government of India. Here, in this article the review of literature is now explained.

(1) Hans Emil Klein (1970) studied the impact of long range planning on profit and growth of commercial banks. The study indicates that bank size is an important variable affecting growth trends in commercial banks. Further, to the extent of long range planning, efforts were undertaken to influence the growth trends.

(2) John Andrew Domonkos (1972) in his study on "The management of commercial bank liabilities; concludes that cost declined with increase in yields offered on saving deposits.

(3) Sapp, R.W. (1978) investigates the relationship between long-range planning and bank performance. The purpose of this study was to examine the extent of long range planning by commercial banks and to study the relationship between such planning efforts and bank performance.

(4) Varde, Palave and Sils (1975) studied, 'Branch Expansion Planning for Banking Industry in depth and formulated district wise branch expansion plan for the fifth five-year period 1974-79.

(5) National Council of Applied Economic Research (N.C.A.E.R) (1975) made a study on 'Operation of Credit Policies of Nationalised Banks Since 1969'. The basic purpose of the study is to examine the extent to which performance of the nationalised banks has matched the basic objectives with which they were nationalised.

(6) Makarand (1979) attempted to evaluate the performance of public sector banks in different spheres where much was expected from the banking sector.

(7) Aggarwal, B.P. (1981) in his Ph.D. thesis entitled, 'A progress and Policies of Commercial Banking after Nationalisation' has studied the performance of banking system, their policies and progress after nationalisation.

(8) Economic Research Division, Birla Institute of Scientific Research (1981) studied the 'Banks since Nationlisation'. This study attempts to compare the public as well as private sector banking growth since nationalisation.

(9) Chopra, Kiran (1987) in her empirical work, 'Managing Profits, Productivity in Public sector banking', studied the emerging trends in the profits and profitability of some selected public sector banks at micro level.

(10) Bhatt, P.R. and Rita Ghosh (1995) concluded in their research work that during the last four decades, especially after the nationalisation of commercial banks in 1969, banking sector achieved main social goals in the form of extending the geographical reach and financial spread of banking services.

(11) Bhattacharyya et. al. (1997) studied the impact of the limited liberalisation initiated before the deregulation of the nineties on the performance of the different categories of banks.

(12) Das, Abhiman (1999) compares performance among public sector, banks for three years in the post-reformed period, 1992, 1995 and 1998. He finds a certain convergence in performance. He also notes that while there is a welcome increase in emphasis on non-interest income, banks have tended to show risk averse behaviour by opting for risk-free investments over risky loans.

(13) Narasimham Committee Report-I (1991). The Government of India set up a high-level committee, which is popularly known as Narsimham Committee -I (1991) to examine all aspects relating to the structure, organization, functions and procedures of the financial system.

(14) Narasimham Committee Report – II (1998), The report of the Narasimham Committee - II in 1998 provided the roadmap for the second generation reform process. Summary of this committees report is as follows: "Reform of the Indian banking sector is now under way following the recommendations of the Committee on Financial System (CFS) which reported in 1991. Meanwhile, major changes have taken place in the domestic economic and institutional scene, coinciding with the movement towards global integration of financial services.

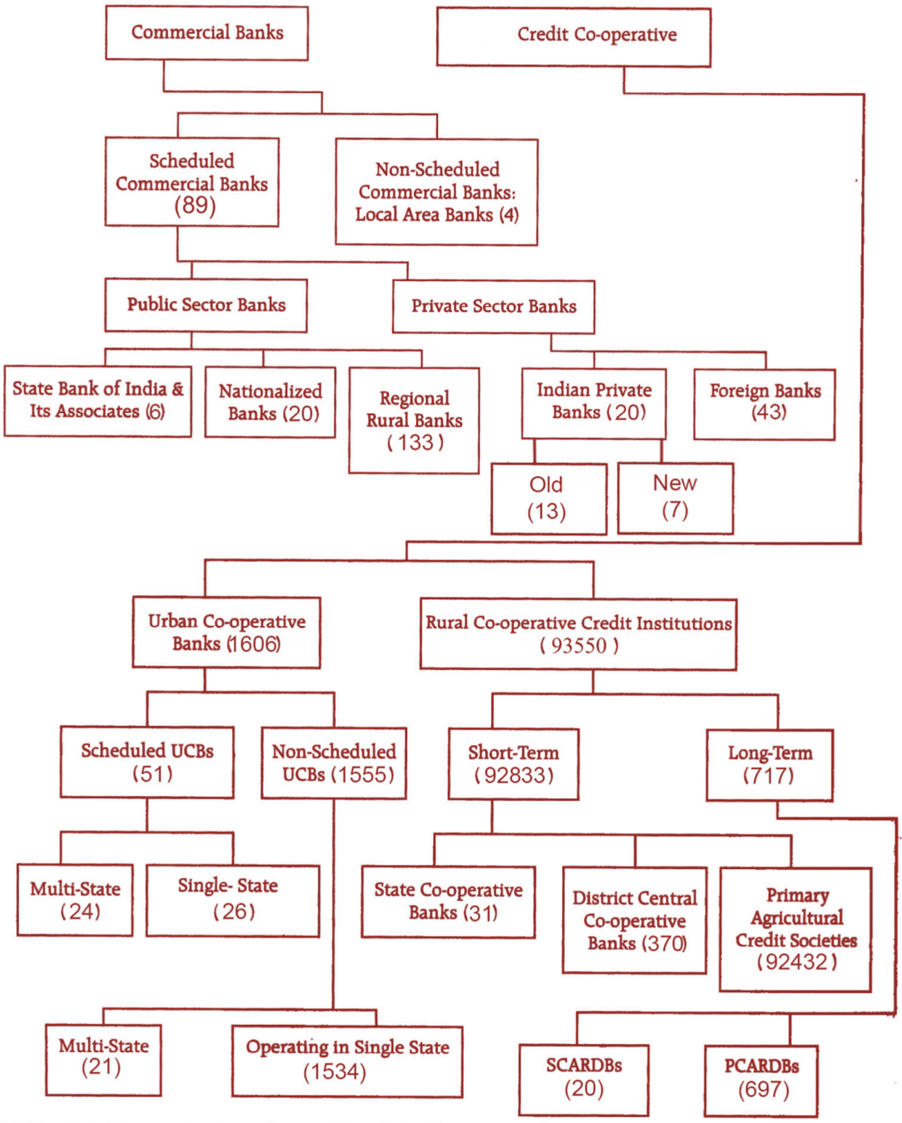
(15) In order to go into various issues relating to harmonising the roles and operations of Bank and Financial Institutions, the Reserve Bank of India set up a Working Group under the chairmanship of Sh. S.H. Khan (1998). This committee presents recommendations about change in role, structure and operations of commercial banks and development financial institutions and about changes in regulatory and legal framework.

3. The Banking Structure in India

The banking structure in India comprises commercial and cooperative banks, of which the former accounts for more than 90 per cent of banking system's assets. Besides a few foreign and Indian private banks, the commercial banks comprise nationalized banks (majority equity holding is with the Government), the State Bank of India (SBI) (majority equity holding being with the Reserve Bank of India) and the associate banks of SBI (majority holding being with State Bank of India). These banks, along with Regional Rural Banks, constitute the public sector (state-owned) banking system in India. A diagrammatic structure of Indian banking, including cooperatives, is presented in chart 1. Banking statistics in India is predominantly compiled and disseminated by the Reserve Bank of India (RBI) and National Bank for Agriculture and Rural Development (NABARD). As the data collection mechanism and the dissemination standards thereof vary for commercial and cooperative banks, RBI presents relevant details separately for commercial banks and cooperative banks. However, there is some overlapping information which is collected both from commercial and cooperative banks.

The scheduled commercial banks in India consist of (i) Public Sector Banks, (ii) Old Private Sector Banks, (iii) New Private Sector Banks and (iv)Foreign Banks. Public sector banks are government owned banks. There are 26 including 6 SBI group. Old private sector banks are the banks existing in the private sector before the issue of new guidelines for entry of private banks in 1993. These banks are registered under the company's Act. New private sector banks were established under the new guidelines in 1993 which enforced relatively stricter entry point norms. Foreign banks are banks which operate through branches only. These banks have their head offices outside India.

Figure 1
Banking System in India



SCARDs: State Co-operative Agriculture and Rural Development Banks.
UCBs: Urban Co-operative Banks.
PCARDBs: Primary Co-operative Agriculture and Rural Development Banks.

Note: Figures in brackets indicate the number of institutions at end-March 2006. However, for rural co-operative credit institutions, the number is at end-March-2005.

Chart 1:
Growth and Composition of ATMs

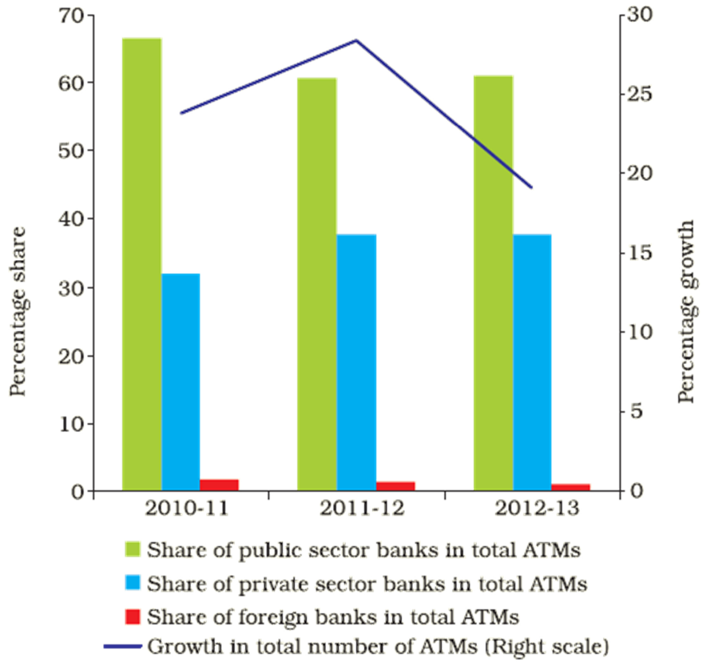


Table 1
ATMs of Scheduled Commercial Banks (As at end-March 2013)

Sr. No	Bank group	On-site ATMs	Off-site ATMs	Total number of ATMs
1	2	3	4	5
I	Public sector banks	40,241	29,411	69,652
	1.1 Nationalised banks*	20,658	14,701	35,359
	1.2 SBI Group	18,708	13,883	32,591
II	Private sector banks	15,236	27,865	43,101
	2.1 Old private sector banks	4,054	3,512	7,566
	2.2 New private sector banks	11,182	24,353	35,535
III	Foreign banks	283	978	1,261
IV	All SCBs (I+II+III)	55,760	58,254	1,14,014
Note: *: Excluding IDBI Bank Ltd.				

Chart 2
Percentage Share of Off-site and On-site ATMs

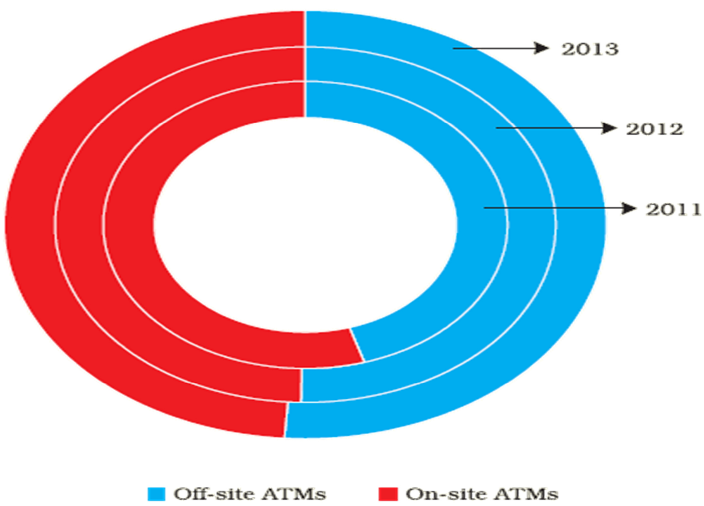


Table 2 Bank Group wise Branches and ATMs

Bank Group	Number of Branches	On Site ATM	Off Site ATM	Total ATM
Nationalised Banks	52480	21533	15528	37061
State Bank Of India	20181	18708	13883	32591
Old Private Sector Banks	6047	4054	3512	7566
New Private Sector Banks	9522	11182	24353	35535
Foreign Banks	332	283	978	1261
Total	88562	55760	58254	114014
III	Foreign banks	283	978	1,261
IV	All SCBs (I+II+III)	55,760	58,254	1,14,014
Note: *: Excluding IDBI Bank Ltd.				

Chart 3: Bank Group Wise Branches and ATMs

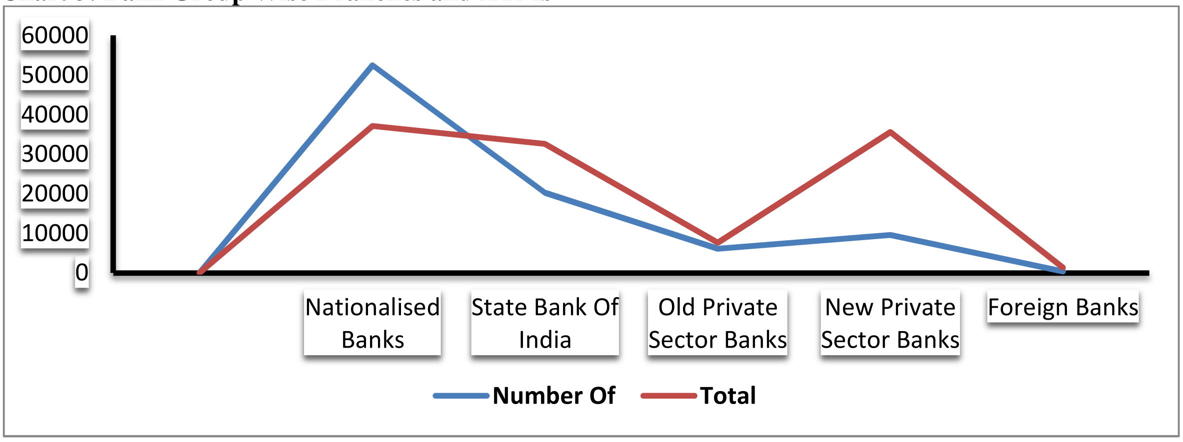


Table 3 Statewise Distribution of Commercial Banks' Branches (As on 31 March 2013)

States	Branches
Jammu and Kashmir	1372
Himachal Pradesh	1265
Punjab	4905
Uttrakhand	1593
Haryana	3431
Delhi	3057
Uttar Pradesh	13167
Bihar	5008
Sikkim	98
Arunachal Pradesh	106
Assam	1754
Nagaland	124
Meghalaya	256
Manipur	115
Mizoram	127
Tripura	303
States	Branches
West Bengal	6413
Jharkhand	2384
Chhatisgarh	1841
Madhya Pradesh	5105
Rajasthan	5389
Gujarat	6094
Maharashtra	10315
Daman and Diu	40
Dadra and Nagar Haveli	47
Andhra Pradesh	9165
Karnataka	7827
Goa	574
Puducherry	188
Tamilnadu	8281
Keral	5452
Lakshya Deep	12
Andaman and Nikobar Island	53

4. Early History

The first bank in India was established by the East India Company in 1720 with the objective of increasing trade and revenue of the company. However, the Bank of Hindustan was the first bank established in 1770 on modern times. From 1720 till today the journey of Indian Banking System can be segregated into four distinct phases. These are mentioned as below:

- Early phase from 1720 to Before First World War,
- From World War First to Independence
- Period of post Independence and Nationalisation of Banks.
- The Liberalisation Phase.

5. Early phase from 1720 to Before First World War

In 1773, Warren Hastings floated the General Bank of Bengal and Bihar. This was a private bank but it received the patronage of East India Company's government. In 1786 the General Bank of India was established with limited liability. Subsequently, other banks – the Carnatic Bank (1788), the Madras Bank (1795), the British Bank (1795) and the Asiatic Bank (1804), were established as private banks. On February 1, 1806 the Government Bank founded by Bentinck started functioning in Madars. This bank was given the power of issue of notes with certain limitations in Bank of Calcutta was established in 1806 but it was renamed as Bank of Bengal in 1809. The Commercial Bank was established in 1819 and the Bank of Calcutta was established in 1824. The Calcutta Bank and Commercial Bank was merged to form the Union Bank.

Afterwards Bank of Bombay (1840) and the Bank of Madras (1843) were established by Act III of 1840 and Act IX of 1843 by the East India Company. The Government bank was replaced and closed simultaneously with the opening of the Bank of Madras in June 1843. These presidency banks initially performed the functions of a Central Bank like discounting of bills, keeping cash balances, receiving deposits and issuing and circulating notes.

Indian merchants in Calcutta established the Union Bank in 1839, but it failed in 1848-49. The Allahabad Bank, established in 1865 and still functioning today, is the oldest Joint Stock bank in India. It was not the first though, that honour belongs to the Bank of Upper India, which was established in 1863, and which survived until 1913, when it failed, with some of its assets and liabilities being transferred to the Alliance Bank of Simla.

When the American Civil War stopped the supply of cotton to Lancashire from the Confederate States, promoters opened banks to finance trading in Indian cotton. With large exposure to speculative ventures, most of the banks opened in India during that period failed. The depositors lost money and lost interest in keeping deposits with banks. Subsequently, banking in India remained the exclusive domain of Europeans for next several decades until the beginning of the 20^{th} century.

Foreign banks too started to arrive, particularly in Calcutta, in the 1860s. The Comptoire d'Escompte de Paris opened a branch in Calcutta in 1860, and another in Bombay in 1862. Branches in Madras and Pondicherry, then a French colony, followed. HSBC, established itself in Bengal in 1869. Calcutta was the most active trading port in India, mainly due to the trade of the British Empire, and so became a banking centre.

6. First Indian Joint Stock Bank

The first entirely Indian joint stock bank was the Oudh Commercial Bank, established in 1881 in Faizabad, which failed in 1958. The next was the Punjab National Bank, established in Lahore in 1895, which has survived to the present and is now one of the largest banks in India. Around the turn of the 20th Century, the Indian economy was passing through a relative period of stability. Around five decades had elapsed since the Indian Mutiny, and the social, industrial and other infrastructure had improved. Indians had established small banks, most of which served particular ethnic and religious communities.

With the establishment of Bank of Bengal major innovation in banking method and organisation came into existence, which included (a) use of joint stock system for raising capital (b) conferring limited liability on shareholders (c) provision of note issue (d) provision of acceptance of deposits from the public (e) imposition of limit on credit and kind of securities that could be accepted and (f) provision for changes in the Board of Directors. These three presidency banks were governed by Royal Charter which was revised from time to time. It is to be noted that only Presidency banks were legally recognized as a commercial banks within India. However, the East India Company's government retained the right to regulate the monetary and credit system.

The Presidency Banks dominated banking in India but there were also some exchange banks and a number of Indian joint stock banks. All these banks operated in different segments of the economy. The exchange banks, mostly owned by Europeans, concentrated on financing foreign trade. Indian joint stock banks were generally undercapitalized and lacked the experience and maturity to compete with the presidency and exchange banks. This segmentation let Lord Curzon to observe. *"In respect of banking it seems we are behind the times. We are like some old fashioned sailing ship, divided by solid wooden bulkheads into separate and cumbersome compartments."*

The paper currency Act 1861 has given the right to issue currency notes to Government, the privilege which was with presidency banks. The Bank of Bombay was collapsed and New Bank of Bombay was established in January 1868. The Presidency Bank Act came into existence in 1876, which brought in the three Presidency banks under the common statute. In 1921, the three Presidency banks and their branches were merged to form the Imperial Bank of India. The Imperial bank of India was, renamed as State Bank of India, on July 1, in 1955 according to an Act passed in the Parliament in May 1955. Later the State Bank (subsidiary bank) Act was passed in 1959 enabling the State Bank of India to take over former state associated banks as its subsidiary.

7. Swadeshi Movement

The period between 1906 and 1911, saw the establishment of banks inspired by the Swadeshi movement. The Swadeshi movement inspired local businessmen and political figures to found banks of and for the Indian community. A number of banks established then have survived to the present such as, Corporation Bank, Indian Bank, Bank of Baroda, Canara Bank and Central Bank of India.

The fervour of Swadeshi movement lead to establishing of many private banks in Dakshina Kannada and Udupi district which were unified earlier and known by the name South Canara (South Kanara) district. Four nationalised banks started in this district and also a leading private sector bank. Hence undivided Dakshina Kannada district is known as "Cradle of Indian Banking".

8. From World War I to Independence

The period during the First World War (1914-1918) through the end of the Second World War (1939-1945), and two years thereafter until the independence of India were challenging for Indian banking. The years of the First World War were turbulent, and it took its toll with banks simply collapsing despite the Indian economy gaining indirect boost due to war-related economic activities. At least 94 banks in India failed between 1913 and 1918 as indicated in the following table.

Table 4 Bank Failures during 1913-18

Years	Number of Banks that Failed	Authorised capital (Rs. Lakhs)	Paid-up Capital (Rs. Lakhs)
1913	12	274	35
1914	42	710	109
1915	11	56	5
1916	13	231	4
1917	9	76	25
1918	7	209	1

9. Period of Post-independence and Nationalisation of Banks

The partition of India in 1947 adversely impacted the economies of Punjab and West Bengal, paralyzing banking activities for months. India's independence marked the end of a regime of the Laissez-faire for the Indian banking. The Government of India initiated measures to play an active role in the economic life of the nation, and the Industrial Policy Resolution adopted by the government in 1948 envisaged a mixed economy. This resulted into greater involvement of the state in different segments of the economy including banking and finance. The major steps to regulate banking included:

- In 1948, the Reserve Bank of India, India's central banking authority, was nationalized, and it became an institution owned by the Government of India.
- In 1949, the Banking Regulation Act was enacted which empowered the Reserve Bank of India (RBI) "to regulate, control, and inspect the banks in India."
- The Banking Regulation Act also provided that no new bank or branch of an existing bank could be opened without a license from the RBI, and no two banks could have common directors.

However, despite these provisions, control and regulations, banks in India except the State Bank of India, continued to be owned and operated by private persons. This changed with the nationalisation of major banks in India on 19 July 1969.

10. Nationalisation of 14 Largest Commercials Banks

By the 1960s, the Indian banking industry had become an important tool to facilitate the development of the Indian economy. At the same time, it had emerged as a large employer, and a debate had ensued about the possibility to nationalise the banking industry. Indira Gandhi, the-then Prime Minister of India expressed the intention of the Government of India in the annual conference of the All India Congress Meeting in a paper entitled *"Stray thoughts on Bank Nationalisation."* The paper was received with positive enthusiasm. Thereafter, her move was swift and sudden, and the Government of India issued an ordinance and nationalised the 14 largest commercial banks with effect from the midnight of July 19, 1969. Jayaprakash Narayan, a national leader of India, described the step as a *"masterstroke of political sagacity."* Within two weeks of the issue of the ordinance, the Parliament passed the Banking Companies (Acquisition and Transfer of Undertaking) Bill, and it received the presidential approval on 9 August 1969.

11. Second Phase of Nationalization

A second phase of nationalization of 6 more commercial banks followed in 1980. The stated reason for the nationalization was to give the government more control of credit delivery. With the second dose of nationalization, the Government of India controlled around 91% of the banking business of India. Later on, in the year 1993, the government merged New Bank of India with Punjab National Bank. It was the only merger between nationalised banks and resulted in the reduction of the number of nationalised banks from 20 to 19. After this, until the 1990s, the nationalised banks grew at a pace of around 4%, closer to the average growth rate of the Indian economy.

12. The Liberalisation Phase

In the early 1990s, the then Narsimha Rao government embarked on a policy of liberalisation and licensing a small number of private banks. These came to be known as *New Generation tech-savvy banks,* and included Global Trust Bank (the first of such new generation banks to be set up), which later amalgamated with Oriental Bank of Commerce, Axis Bank (earlier as UTI Bank). ICICI Bank and HDFC Bank. This move, along with the rapid growth in the economy of India, revitalized the banking sector in India, which has seen rapid growth with strong contribution from all the three sectors of banks, namely, government banks, private banks and foreign banks.

The next stage for the Indian banking has been setup with the proposed relaxation in the norms for Foreign Direct Investment, where all Foreign Investors in banks may be given voting rights which could exceed the present cap of 10% at present it has gone up to 49% with some restrictions. The new policy shook the Banking sector in India completely. Bankers, till this time, were used to the 4-6-4 method (Borrow at 4%; Lend at 6%; Go home at 4%) of functioning. The new wave ushered in a modern outlook and tech-savvy methods of working for traditional banks. All this led to the retail boom in India. People not just demanded more from their banks but also received more.

Currently banking in India is generally fairly mature in terms of supply, product range and reach-even though reach in rural India still remains a challenge for the private sector and foreign banks. In terms of quality of assets and capital adequacy, Indian banks are considered to have clean, strong and transparent balance sheets relative to other banks in comparable economies in its region. The Reserve Bank of India is an autonomous body, with minimal pressure from the government. The stated policy of the Bank on the Indian Rupee is to manage volatility but without any fixed exchange rate-and this has mostly been true.

With the growth in the Indian economy expected to be strong for quite some time-especially in its services sector-the demand for banking services, especially retail banking, mortgages and investment services are expected to be strong. In March 2006, the Reserve Bank of India allowed Warburg Pincus to increase its stake in Kotak Mahindra Bank (a private sector bank) to 10%. This is the first time an investor has been allowed to hold more than 5% in a private sector bank since the RBI announced norms in 2005 that any stake exceeding 5% in the private sector banks would need to be vetted by them.

In recent years critics have charged that the non-government owned banks are too aggressive in their loan recovery efforts in connection with housing, vehicle and personal loans. There are press reports that the banks' loan recovery efforts have driven defaulting borrowers to suicide. Without a sound and effective banking system in India it cannot have a healthy economy. The banking system of India should not only be hassle free but it should be able to meet new challenges posed by the technology and any other external and internal factors. For the past three decades India's banking system has several outstanding achievements to its credit. The most striking is its extensive reach. It is no longer confined to only metropolitans or cosmopolitans in India. In fact, Indian banking system has reached even to the remote corners of the country. This is one of the main reasons of India's growth process.

Not long ago, an account holder had to wait for hours at the bank counters for getting a draft or for withdrawing his own money. Today, he has a choice. Gone are the days when the most efficient bank transferred money from one branch to other in two days. Now it is simple as instant messaging or dial a pizza. Money has become the order of the day.

The following are the steps taken by the Government of India to Regulate Banking Institutions in the Country:

- 1949: Enactment of Banking Regulation Act.

- 1955: Nationalisation of State Bank of India.
- 1959: Nationalisation of SBI subsidiaries.
- 1961: Insurance cover extended to deposits.
- 1969: Nationalisation of 14 major banks.
- 1971: Creation of credit guarantee corporation.
- 1975: Creation of Regional Rural banks.
- 1980: Nationalisation of six banks with deposits over 200 crores.

13. Conclusion

Banking in India originated in the last decades of the 18th century. The oldest bank in existence in India is the State Bank of India which originated in the Bank of Calcutta in June 1806, which almost immediately became the Bank of Bengal. This was one of the three presidency banks, the other two being the Bank of Bombay and the Bank of Madras, all three of which were established under charters from the British East India Company. For many years the Presidency banks acted as quasi-central banks, as did their successors. The three banks merged in 1921 to form the Imperial Bank of India, which, in 1955 became the State Bank of India.

By the 1960s, the Indian banking industry has become an important tool to facilitate the development of the Indian economy. At the same time, it has emerged as a large employer, and a debate has ensured about the possibility to nationalise the banking industry. Mrs. Indira Gandhi, the-then Prime Minister of India expressed the intention of the Government of India (GOI) for Bank Nationalisation. Thereafter, her move was swift and sudden, and the GOI issued an ordinance and nationalised the 14 largest commercial banks with effect from the midnight of July 19, 1969.

In the early 1990s, the then Narsimha Rao government embarked on a policy of liberalisation, licensing a small number of private banks. These came to be known as New Generation tech-savvy banks. This move along with the rapid growth in the economy of India revolutionised the banking sector along with the rapid growth with strong contribution from all the three sectors of banks, namely, government banks, private banks and foreign banks.

All banks which are included in the Second Schedule to the Reserve Bank of India Act, 1934 are Scheduled Banks. These banks comprises Scheduled Commercial Banks and Scheduled Co-operative Banks. Scheduled Commercial Banks in India are categorised into five different groups according to their ownership and/or nature of operation. These banks groups are : (i) State Bank of India and its Associates (ii) Nationalised Banks, (iii) Private Sector Banks, (iv) Foreign Banks and (v) Regional Rural Banks. Indian Banking Industry currently employs 1, 175,149 employees and has a total of 88562 branches in India and 171 branches abroad and manages and aggregate deposit of Rs. 67504. 54 billion and bank credit of Rs. 52604.59 billion. The net profit of the banks operating in India was Rs. 1027.51 billion against a turnover of Rs. 9148.59 billion for the fiscal year 2012-13.

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