

RIZVI COLLEGE OF ARTS, SCIENCE AND COMMERCE

SUBJECT: Foundation Course III

TOPIC: Banking Industry

CLASS: SYBBI

SEMESTER: III



By

Ms. Bushra Qureshi

Assistant Professor

Department of BBI

(Bachelor of Banking and Insurance)



CHAPTER 2

BANKING

INDUSTRY



INDEX



- History of banking industry
- Emerging trends in Banking
- Banking crisis
- Causes of bank failures
- Challenges to banks
- Current developments in Banking Sectors



HISTORY OF BANKING INDUSTRY IN INDIA:



(A) Pre-independence history

- Presidency banks
- Paper currency Act, 1861
- Reserve bank of India Act, 1934
- Indian companies (Amendment) Act, 1936

(B) Post-independence history

- Phase I: Early years of independence (1947-1969)
- Phase II: (1969-1991)
- Phase III: Banking sector reforms since 1991



(A) PRE-INDEPENDENCE HISTORY:

Commercial banking in India during the pre-independence period was largely characterized by the existence of private banks organized as joint stock companies. The Pre-Independence Phase i.e. before 1947. Banking system commenced in India with the foundation of Bank of Hindustan in Calcutta (now Kolkata) in 1770 which ceased to operate in 1832. (2) Oudh Commercial Bank (1881-1958) – the first commercial bank of India. While some others like Bank of Bengal.

1. Presidency banks
2. Prepare currency Act, 1861
3. Reserve bank of India Act, 1934
4. Indian companies (Amendment) Act, 1936



(A) POST-INDEPENDENCE HISTORY:

1. Phase I: Early year of independence (1947-1969)

At the time of independence, the Indian banking system was weak. The entire banking sector was in the private sector and the credit requirements of agriculture and other needy sectors were ignored.

2. Phase II: (1969-1991)

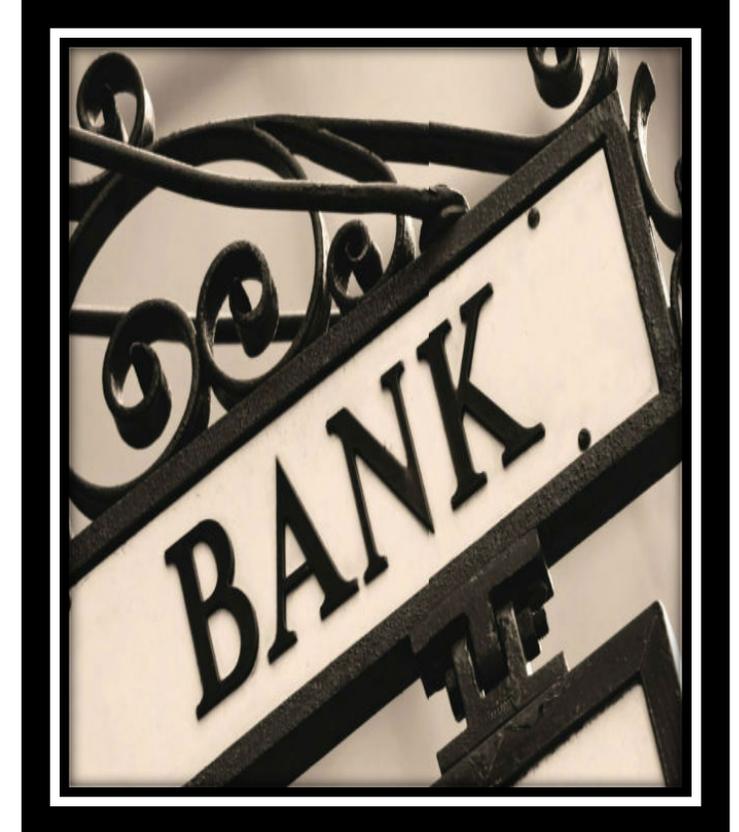
This was the Second Phase of the Banking Evolution. It set the stage for the Banking Sector to grow exponentially. The most significant development in this phase was the Nationalization of the Banks. The need for Nationalization of Banks was of utmost importance.

3. Phase III: Banking sector reforms since 1991

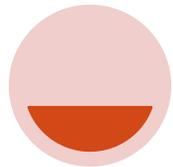
The period beginning from the early 1990s witnessed the transformation of the banking sector as a result of financial sector reforms that were introduced as a part of the structural reforms initiated in 1991.

Objectives of the banking sector reforms:

- a) Enabling measures
- b) Strengthening measure
- c) Institutional measures

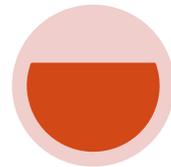


BANKING CRISIS



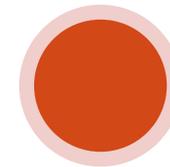
Banking crisis, 1913:

A banking crisis that occurred during 1913 revealed weakness of the banking system such as the maintenance of an unduly low proportion of cash and other liquid assets, and to the companies in which the directors were interested.



Banking Crisis, 1938:

The failure of the Travancore National and Quilon bank (TNQ bank) in the middle of 1938 created a public scare. The banking crisis of 1938 was largely a localized affair confined to South India.



Banking Crisis, 1946-47:

In 1946-47, India faced another, banking crisis following the failure of ABC Bank, the Exchange Bank of India and Africa and the Nath Bank in Calcutta.



CAUSES OF BANK FAILURES:



CHALLENGES TO BANKS:

CHALLENGES

Profitability

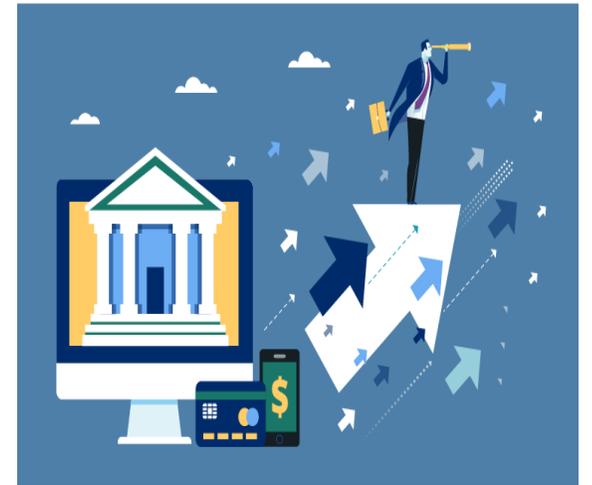
Risk Management

Management of NPA

Competition

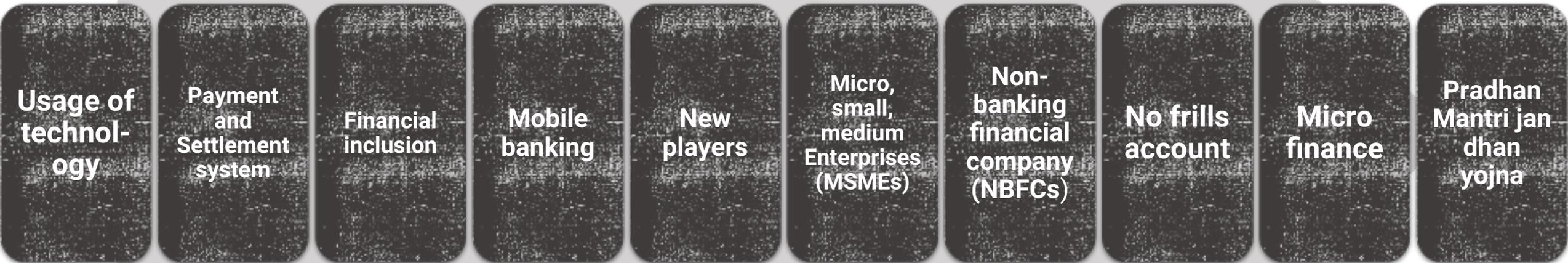
Preventing Customers Defection

Reforming Human Resources



CURRENT DEVELOPMENTS IN BANKING SECTOR:

Some of the recent development in banking sectors are:



THANK YOU

