

History of Banking in India: Key Points To Remember



INTRODUCTION

Banking in India has a very long history starting from the late 18th century. The origin of modern banking started from 1770 in the name of "Bank of Hindustan" by English agency 'House of Alexander & Co' in Kolkata however it was closed in 1832. Further in 1786 "General Bank of India" was started and it failed in 1791.

PRESIDENCY BANKS

These banks were funded by the presidency government at that time. The 3 presidency banks were

- Bank of Bengal- Established in 1806
- Bank of Bombay - Established in 1840
- Bank of Madras - Established in 1843

These three presidency banks were re-organized and amalgamated to form a single entity named "Imperial Bank Of India" on 27th January, 1927. It was later transformed into "State Bank Of India" in 1955.

SOME OF THE OLD BANKS:

- **Allahabad Bank** was established in 1865 at Allahabad (Uttar Pradesh). It is the oldest joint stock bank of our country functioning till today.
- **Oudh Commercial Bank** was established in 1881 at Faizabad(Uttar Pradesh).It is the First limited liability Bank in India and also first joint stock bank by Indians. However it failed in 1958.
- **Punjab National Bank** was established in 1895 at Lahore (Pakistan) and it was also the first bank to be managed solely by Indians.

IMPACT OF “SWADESHI” MOVEMENT

Due to the “Swadeshi” movement many banks were established between 1906 to 1911. Many local businessmen and strong political figures of India funded the banks for Indian community. Some of the banks that were established are as follows:

Name of the Bank	Establishment Year
Canara Bank	1906
Bank Of India	1906
Corporation Bank	1906
Indian Bank	1907
Bank Of Baroda	1908

“The Reserve Bank Of India”

- RBI was established on 1st April ,1935 in accordance with the provisions of the RBI act,1934.
- It was established under the recommendations of the“Hilton Young Commission”also known as “Royal Commission On Indian Currency And Finance”.
- Initially it was setup in Calcutta and permanently moved to Mumbai in 1937.
- Initially the RBI was started with private share holder’s fully paid up capital of Rs.5 crores.
- It also acted as central banking institute for Mynmar till 1948 and till 1947 for Pakistan.
- The RBI was nationalized on 1st January, 1949 in accordance with the RBI(Transfer to Public Ownership)act,1948.

- It empowered RBI to act as central banking institution to control monetary policy of Indian Rupee and to control, regulate, monitor, inspect banks in the country as mentioned in the 2nd schedule of RBI act 1934.

SUBSIDIARIES OF RBI

- Deposit Insurance and Credit Guarantee Corporation (DICGC) was set up in 1978.
- National Agriculture and Rural Development Bank (NABARD) was set up in 1982.
- National Housing Bank was set up in 1988.
- Bharatiya Reserve Bank Note Mudran Private Limited (BRBNMPL) was set up in 1995.