

## INDIA @75: ECONOMIC AND BANKING SECTOR AT THE NIB OF A NOVEL DAWNING

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### Abstract

Expansion and management of healthy economic system is an essential prerequisite for sustained and steady growth of the economy of any nation. It is a vital requirement of any developing nation to boost its economy and related areas so as to make the nation strong in all directions. Remembering the 75th anniversary of Indian independence, it is of great importance that we a relook at the voyage of banking in last 75 years and the present scenario of banking. Country has significantly improved its status in the modern world of economy and is constantly in process of ensuring a steady exponential growth in the field of all sectors. We have moved at a very fast pace in all directions and in all fields so as to ensure that economic growth is achieved in a significant way. Furthermore, sustainable development has also been on cards with for last few decades as it is important for our future generations. In last 75 years, Indian democracy has also grown and has come a long way. The stature of India has also grown tall and now we are considered as powerful nation with strong economy. After hard earned Independence, it was time to adopt the legislative democracy, solve the issues and challenges related to internal security and external intimidations, creating and developing paradigm that includes experiences learned from other nations in similar circumstances yet letting it be in perfectly related to our own ways. There were huge improvements and achievements in the field of science and technology, education and research and sports as well. The advances in all fields have effectively improved the financial status of society and thus India has emerged as strong economy in the world. This paper deals with the advances occurred in the commerce and economy of India in last 75 years. India in last few decades has gained several levels of uplifts in economic sector. The economic journey of India after Independence has seen its share of ups and downs. Once tagged as the third world country, India is now one of the biggest economies of the world. Still there is a long way to go. To develop the economy more, it is need of hour to ensure the expansion in all the field should happen with sustainable development.

**Key words-** India, Independence, Economy, banking, 75 years, Sustainable development, Voyage.



## Introduction

Holy land India, which can be described as land of unity in diversity entered in its 75th year of Independence on August 15 in 2021. It was a great milestone for all the Indian nationals. The government of India on the occasion of 75<sup>th</sup> Independence Day Amrut Mahotsav, a nationwide initiative of two years long, to memorialize the landmark. The Journey of progress and reforms started to take place immediately after the independence. Also, the economic journey started with the same time. The country has observed its share of ups and downs in economic sectors in all these 75 years. There has been huge progress in the field of banking as well. Not so long ago, for withdrawal of money from banks the bankers used to provide metallic coins as tokens, there were long ques for deposit and withdrawals of money, witness for opening of accounts, lots of paper work and guarantee all were needed. In last few years, banking sector has made huge progress with advancement of technology. In recent years there has been lots of broadening and expanding in the field of banking and finance in Indian market. The systems have changed for the betterment of costumers and hence have been beneficial for common man. When India got its freedom from British rule , there were only 14 banks. Today there are 12 public sector banks, 21 private sector banks, 56 regional rural banks, 46 foreign banks and 31 cooperative banks in addition to cooperative credit institutions and private credit institutions. Digital payments are widely used every where and

the online transactions are made by costumers easily and effectively. Virtual banking is a regular matter of work. Therefore, it may be said that we have achieved a set mile stone of growth in banking and finance. But still lot more has been planned, executed and achieved to make India global super power in the field of banking and finance.

### **Objective of study**

- The objectives of present study are as follows

1. To understand the Banking and economical situation in era of independence
2. To understand the growth in banking sector post-independence.
3. To understand the current scenario.
4. To find out Systematic approach and thinking for future course of action.
5. To understand the ways of development in economy and advances in banking.

**Review of literature-** Various related surveys, empirical, rational, analytical and case studies have been conducted about the growth in banking sector post-independence and economic development of country. Some the reviews are as follows-

**Des Raj Raj (June 2020)** in his research article titled “**role of banking sector in Indian economy**” puts light on the importance of banking sector and its upgradation in modern world. In his research article he states that in India the banking system is dominated by nationalized banks. Economy and banking are closely linked and hence the performance of the banking sector depends up on the economy than perhaps that of any other sector.

**Siddharth S. and Vibha Visveswaraya (october2018)** in their study titled “ The growth of retail banking sector in India “ , focused on the development of retail banking sector in Indian markets. According to the study, the consumer credit is heart of the retail banking market.

**Nilesh Vitthal Limbore(March 2014)** in his research article titled “**A study of banking sector in India and overview of performance of Indian banks with reference to net interest margin and market capitalization of banks**, gives a detailed view about banking and finance and its relationship in modern world of business. He states that banking and is the life blood of trade, commerce and industry. The banking sector acts as the spine of fresh business.

## Methodology

For the purpose of present study, the secondary data is collected from newspapers, journals, economic magazines, newspapers e books, related articles and websites. The researcher visited some banks and financial institutions and did interactions with the experts in the field of banking and finance.

## Banking and Economical Journey of India

There has been huge ups and downs in the last 75 years in the Indian economy and in the banking sectors. Lots of achievements, losses, scams all have made it a cocktail of profits and losses.



Here are some mile stones in the journey of 75 years in the economic sector

- 1. Food Production:** At the time of independence, we had shortage of food for the growing population. From achieving target of self-sufficiency in production of grains, we have now become the food exporters, which is a huge achievement. The net grain production, which was approximately at 54.92 million tonnes in between 1948- 1950, increased to 305.44 million tonnes in 2020-21 and more in this year of 2021-22.
- 2. Gross Domestic Product (GDP):** India's GDP was ₹ 2.7 lakh crore at the time of Independence in 1947-48. And now after 75 years it has reached above ₹ 135.13 lakh crore. There has been a 10- fold increase in the GDP
- 3. Foreign currency exchange rate to Rupee:** Indian currency has become stronger in last few years. The exchange rates in current situation is far more better than at the time of independence. The US dollar was equal to ₹ 3.30 in 1947, at the time of

independence. The current rate of exchange is 0.012 Similar are the rates in case of pound and euro 0.36

4. **Forex** India's forex reserves (In foreign currencies and other assets like gold) was at a meagre ₹ 1,029 crore in 1950-51. The social and economic reforms have increased it substantially and have brought it to. ₹ 46.17 lakh crore – the world's fifth-largest.
5. **Indian Railways (route length):** After independent India has developed the Indian Railways and has increased focus on unifying all rail gauges, electrification of railway lines and connecting all parts of the country. In recent years, the railway line across the country has expanded by over 14,000 kilometres, reaching 67,956 kilometres in route length by the end of 2020. This has now increased to 68,103 km as of 31<sup>st</sup> March, 2022.
6. **Roadways** -Roads and transport mechanisms have expanded exponentially in the last 75 years after the independence. It has made India's road network the second largest in the world.
7. **Foreign Direct Investment** -The foreign investment after independence was limited and hence the outcome for economy from foreign investment was almost negligible. But from 1991 after liberalisation, FDI has become the catchword of India's economic section.
8. **Access to electricity:** According to the data of Ministry of Power, access to electricity in 1947 was only to 3,061 villages. The Indian government has plans to improve this number which is now approx. 598 thousand village.
9. **Advances in science and technology-** After independence, the Science and technology sector has also seen an innovative and speedy growth. Indian space programs, nuclear power projects, development of indigenous nuclear technology, satellite communication. atomic clock, manufacturing and supply of vaccines and drugs globally, development of indigenous defence systems, are some of the many milestone achievements of country.
10. **Five-year plans** - Five-Year Plans (FYPs) are national and joint national economic programs for the growth and development of economy. After independence, from 1947 to 2017, the economy was preceded on the concept of planning and this was carried through the Five-Year Plans. Total 12 five-year plans were implemented and in 2015, the dissolution of the Planning Commission was announced, and its

replacement was established as a think tank called the NITI Aayog (an acronym for National Institution for Transforming India)

Here are some mile stones in the journey of 75 years in the Banking sector-

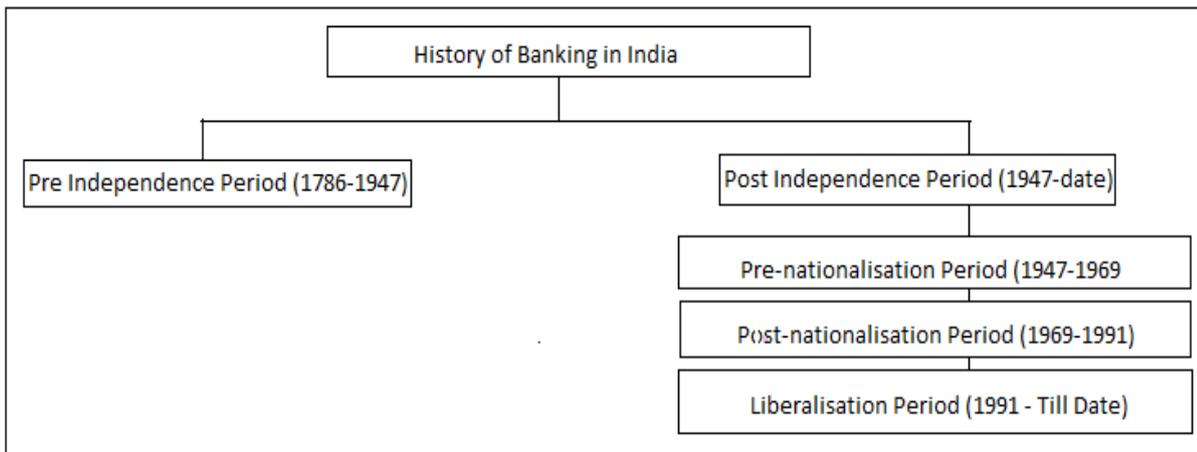
Banking system in India establishes the path for the economic growth of the country. Various major and minor changes in the banking system and organization have been done after the Independence with the progression in technology requirement of changing times and needs of people. History of Banking in India dates back to before independence in 1947 and has added various chapters of development from than in it.

The banking sector development can be divided into three segments:

**Segment I:** After the independence in 1947to 1969

**Segment II:** The Nationalisation time period from 1969 to 1991

**Segment III:** The Liberalisation started from 1991 and continues to flourish till date



Sources : History of Banking in India – Evolution of Indian Banking System ( Byju’s)

**The progress of Indian Banks post-independence**

In 1947, at the time when India got freedom, all the major banks were running privately which was a reason of worry as the people belonging to countryside areas were still dependent on mortgagees for economic backing. To resolve this issue, the government decided to nationalise the privately running Banks. And hence These banks were nationalised under the Banking Regulation Act, 1949.

The banks which were nationalised till 1969 are -

Allahabad Bank , Bank of India , Bank of Baroda ,Bank of Maharashtra , Central Bank of India, Canara Bank, Dena Bank, Indian Overseas Bank , Indian Bank , Punjab National Bank Syndicate Bank, Union Bank of India , United Bank and UCO Bank

Again in year 1980 few more banks were nationalized - Corporation Bank , New Bank of India . Oriental Bank of Comm, Punjab & Sind Bank and Vijaya Bank

### **Nationalisation of banks- Impact**

The government and financial experts had many reasons for nationalization of banks. Following are the few reasons-

- To increase in funds and thereby growing the economic condition of the country
- To Increased efficiency
- For boosting the village economy and agricultural sector of the country
- For creating employment opportunity for the people

### **Liberalisation Period (1991-Till Date)**

After the nationalization of the banks, next step was to ensure the Once the banks were established in the country, regular monitoring and regulations of the banking sector. Hence for providing steadiness and productivity to the Nationalised Public sector Banks, the Government decided to set up a committee under the management of Shri. M Narasimham to manage the various reforms in the Indian banking industry. This committee gave various useful suggestions which after implementation gave a boost to banking sector and made in strong. Some of these were, setting up of branches of the Overseas Banks in India, RBI and Government would treat both public and private sector banks equally, joint ventures of foreign bank with Indian Banks, Small Finance Banks to set their branches across India accessibility to online and internet banking and apps.

### **Indian Banking Industry: Challenges and Opportunities in modern world**

The Indian banking sector has made swift paces in reforming & positioning itself to the new fast changing business environment of today's modern world. To cope with competitive forces in order to strengthen the accounts for survival is one of the major challenges for the banks today. The technological upgradation, Privacy and Safety. revolution of Information

technology, intense Competition and high transaction costs are major challenges which are being faced by Indian banking industry in modern times.

### **Opportunities for Indian economy and banking**

With challenges comes the opportunity. The opportunity to grow and develop and put forth a strong step. A fast-growing economy, Banking deregulating, increased client borrowing, increase in the number of banks, increase in the money supply, credit rates, increasing number of customers and multiple accounts are some of the opportunities for Indian banking system for becoming stronger.

### **Conclusion**

In 75 years, after the independence, Indian democracy has come a long way. The country has evolved and developed in almost all directions. The stature in the world has also grown high and we are being looked up as a ‘potential super-power’. But, India has still a long way to go and to become the super power of the world.

If we see the dream of future of India in 2046-47 when we will complete 100 years of our Independence, to be the supreme power we need an effective financial ecosystems approach and systematic thinking.

It is time to plan meticulously to strengthen the Indian economy in next 25 years and for coming together to make a Unnat Bharat ( Developed India) . We have to bring back our motherland, our India back to its ancient title, the “**SONE KI CHIDEYA**”.



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