19th July, 2019 marked the 50th anniversary of Bank nationalization.

1980 - Six more private banks were nationalised.

July 19, 1969 - An ordinance 'Banking Companies (Acquisition and Transfer of Undertakings) Ordinance, 1969' was issued. Later the same became Act for the nationalization of 14 major private banks with deposits of over Rs 50 crores.

1956 - The insurance sector was nationalised with the formation of Life Insurance Corporation of India.

1955 - India nationalized Imperial Bank of India and its undertaking was taken over by State Bank of India.

1949 - The Reserve Bank of India was nationalised with effect from 1st January, 1949 on the basis of the Reserve Bank of India (Transfer to Public Ownership) Act, 1948. All shares in the capital of the Bank were deemed transferred to the Central Government on payment of a suitable compensation.

**CAUSES**

- Failure of private banks across the country during 1947 - 1955 that resulted in depositors losing their guaranteed money
- To sync the banking sector with the goals of socialism adopted by the Indian government after independence
- To ensure balanced flow of credit to all the productive yet ignored sectors like Agriculture and others
- To ensure enough development funds for the planned growth of the country
- To break the nexus between banks and big business who were disproportionately cornering bank finance

**BACKGROUND**

**BENEFITS**

- Increase in Rural bank branch from 8,262 (July 1969) to 30,303 (June 1979)
- Priority-sector lending i.e. approx 40% of net bank credit for agriculture, micro & small enterprises, housing, education and "weaker" sections
- Significant increase in the investment of the banks in Government Securities
- Job opportunities due to expansion of the branch network

**AFTER EFFECTS**

- Complex structure of interest rate
- Low Profitability i.e. the nationalised banks are either operating under losses or experiencing falling dividends
- Low Efficiency due to bureaucratic attitude and political interference in the functioning of banking system
- Under-lending or rarely lending to new firms

**LAW**

Article 31(2) - In case any property is acquired by the government, they have to provide compensation to the property owner.

The Supreme Court of India struck down the Banking Companies (Acquisition and Transfer of Undertaking) Act, 1969 on the ground that the proposed compensation to be provided to the 14 banks failed the test of Article 31(2).

The Banking Companies (Acquisition and Transfer of Undertaking) Act, 1970 - was enacted by the Parliament but with inclusion of a specific amount of compensation to be paid to each of the 14 banks.

Twenty-fifth Amendment of the Constitution of India 1971 - curtailed the right to property and permitted the acquisition of private property by the government for public use, on the payment of compensation which would be determined by the Parliament and not the courts.