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Indian Banks' Nationalization and Credit Growth: A Study of Few Indian Banks to Identify the Impact Factors

Hemant Ahuja*; Dr. Trilochan Sharma**

*Scholar,

CCS University.

hemantahuja12@gmail.com

**Associate Professor,

CCS University.

drlochan@gmail.com

Abstract

India has completed 50 years of Indian Banks' Nationalization. This study examines the role of Banking Nationalization in India's Credit growth and also analyzes whether it has met its purpose. It assesses the impact of Banking Nationalization on credit growth over the years in rural and small scale sectors. It also covers various troubles which have arisen because of Nationalization like increased NPA and Frauds. Further, primary data is collected to find significant hurdles in achieving the goals of Banking Nationalization. The data for the study is collected through an online survey conducted across four Banks with the sample size of 250 respondents, working in Managerial Positions (Scale I and above). The data is then analyzed using Exploratory Factor Analysis with SPSS to segregate the crucial factors that have impacted the current Indian Banking Structure. It is found that Structural Issues, Poor Corporate Governance, Political Interference, Multiple Regulators, and Anticompetitive Nature are the primary impact factors. These factors along with a mixed review by the respondents on the future of nationalization, clearly suggest that there is an underlying problem with the current banking system which cannot be solved with Banks' Mergers only. There is no denying that Gradual privatization is the way forward but along the way banking structure needs a major transformation for survival, and have to show innovative approach in recruitment process, regulation, government schemes implementation, service delivery, and even use of technology. The current study also suggests some solutions based on the primary data collected.



Keywords: Bank Nationalization, Institutional Credit, Rural Credit, MSME Credit.

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