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Bank Nationalisation 1969: Why It Became India's Biggest Economic Decision

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Bank nationalisation means bringing private banks under government ownership and control.

On 19 July 1969, Prime Minister Indira Gandhi nationalised 14 major private banks that had deposits of more than ₹50 crore. This is considered one of the most important economic decisions in independent India.

Why was bank nationalisation needed?

Before 1969, most bank branches were concentrated in cities, while rural and semi-urban areas had very little banking access.

Because of this:

Farmers did not get enough loans

Small industries lacked credit support

Self-employed people struggled to get formal finance

Private banks focused mainly on profits and big businesses

The government felt that private banks were not serving the larger needs of society.

Main objective

The aim was to use banks for social and economic development, not just profit-making.

The government wanted:

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more rural branches

loans for agriculture and small industries

support for weaker sections

reduction in regional inequality

better financial inclusion

This followed the idea of a “socialist pattern of society.”

How did it happen?

Initially, the idea of “social control” over banks started in 1967.

There was disagreement between Indira Gandhi and Morarji Desai, who opposed nationalisation.

After Morarji Desai resigned, Indira Gandhi took the Finance Ministry and quickly moved ahead.

An Ordinance was issued on 19 July 1969, and Vice President V. V. Giri, acting as President, signed it because President Zakir Husain had passed away earlier.

Impact of bank nationalisation

It led to major expansion of banking in rural India.

In the following years:

rural bank branches increased rapidly

agricultural credit expanded sharply

deposits from villages increased

banking reached weaker and neglected sections

It helped improve financial inclusion across India.

Criticism

Some leaders like Jayaprakash Narayan opposed it and called it unnecessary.

Critics said:

it increased government control too much

bureaucracy became stronger

public sector banks later faced inefficiency and NPAs

taxpayers had to support weak banks repeatedly

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So, even today, experts debate whether it was a masterstroke or a policy failure.

In simple words

Bank nationalisation changed banking from a profit-focused private system to a development-focused public system.

Its biggest legacy was taking banking services to villages and making credit available to common people, not just big industrialists.