

Indian Banking Industry: Issues & Opportunities

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Abstract

The Banking Industry is one of the main and most basic Service Sector. The financial changes started by the Government of India in 1990s have changed the scene of a few divisions of the Indian economy. The Indian Banking Sector is no exemption. The Banking Sector is vital for an economy since it channelizes reserve funds into ventures. The huge part of managing an account industry is basic to accelerate the social financial advancement. The Indian Banking Sector is the life saver of the economy and its kin. It has helped in building up the key segments of the economy and usher another first light of advance on the Indian skyline. The Sector has interpreted the expectations and goals of a huge number of individuals into reality. The tone of managing an account direction moved from prescriptive to prudential, moving the onus from controls to corporate administration. Over the recent years, the Indian Banking Sector has shown an abnormal state of flexibility even with high residential expansion, rupee deterioration and monetary vulnerability in the US and Europe. This has required the banks in India to focus substantially more on working productivity, outsourcing and cost enhancement now than any time in recent memory. The Banking Sector in India has received and grasped innovation to keep pace with worldwide advancement in the managing an account industry and offer quality items to its customers. This paper endeavours to analyze the present situation of Indian Banking Sector and investigations the difficulties and chances of this part.

Keywords: Technology in Banking, social attitudes and Customer satisfaction

Introduction

The managing an account industry in India has a colossal canvas of history, which covers the conventional saving money hones from the season of Britishers to the changes time frame, nationalization to privatization of banks, and now expanding number of remote banks in India. Consequently, Banking in India has experienced a long excursion. World economy has gone through some mind boggling conditions as liquidation of managing an account and budgetary organizations, obligation emergency in significant economies of the world and euro zone emergency. The situation has turned out to be extremely unverifiable causing retreat in real economies like US and Europe. This suggests some genuine conversation starters about the survival, development and keeping up the maintainable improvement.

Notwithstanding, in the midst of all the turmoil, India's Banking Sector has been among the few to look after strength. The rhythm if advancement for the Indian Banking industry has been exceptional over the past period. The substance of Indian industry has changed throughout the years. It can possibly end up plainly fifth biggest managing an account industry on the planet by 2020 and third biggest by 2025, as indicated by an industry report. Banks are presently connecting with the majority with innovation to encourage more noteworthy simplicity of correspondence and exchanges are brought out through the web and cell phones

Objectives and Methodology

In this paper, an endeavour has been made to look at the changing situation of keeping money

division and concentrate the difficulties and opportunities of Indian Banking Sector. To accomplish the targets, data has been gathered from different books, articles, research papers, websites etc.

Changing Scenario

The main bank in India The General Bank of India was set up in the year 1786. The East India Company built up The Bank of Bengal/Calcutta (1809), Bank of Bombay (1840) and Bank of Madras (1843). The following bank was Bank of Hindustan which was built up in 1870. These three individual units (Bank of Calcutta, Bank of Bombay and Bank of Madras) were called as Presidency Banks. Allahabad Bank which was built up in 1865, was out of the blue totally keep running by the Indians. Punjab National Bank Ltd. was set up in 1894 with home office at Lahore. In the vicinity of 1906 and 1913, Bank of India, Central Bank of India, Bank of Baroda, Canara Bank, Indian Bank, and the Bank of Mysore were set up. In 1921, all administration banks were amalgamated to 22 frames, the Imperial Bank of India which was controlled by the European Shareholders. After that the Reserve Bank of India was set up in April 1935. At the season of first stage the development of managing an account area was moderate. In the vicinity of 1913 and 1948 there were roughly 1100 little banks in India. To streamline the working and exercises of business banks, The Government of India thought of the Banking Companies Act 1949 which was later changed to Banking Regulation Act 1949 according to altering Act of 1965 (Act No. 23 of 1965). Save Bank of India was vested with broad forces for the supervision of managing an account in India as a Central Banking Authority. After Independence, Government has made most essential strides in respect of Indian Banking Sector changes. In 1955, the Imperial Bank of India was nationalized and was given the name "State Bank of India", to go about as the essential operator of RBI and to deal with keeping money exchanges everywhere throughout the nation. It was set up under State

Bank of India Act, 1955. Seven banks shaping backup of State Bank of India was nationalized in 1960. On nineteenth July, 1969, noteworthy procedure of nationalization was done. In the meantime 14 noteworthy Indian business banks of the nation were nationalized. In 1980, another six banks were nationalized, and consequently raising the quantity of nationalized banks to 20. Seven more banks were nationalized with stores more than 200 crores. Till the year 1980 around 80% of the keeping money fragment in India was under government's possession. On the recommendations of Narsimhan Committee, the Banking Regulation Act was altered in 1993 and subsequently the doors for the new private area banks were opened.

Organizational Structure

The whole composed saving money framework includes Scheduled and non-booked banks. Generally, this section includes the booked banks, with the unscheduled ones shaping a little part. Managing account needs of the fiscally rejected populace is provided food by other disorderly elements unmistakable from banks, for example, cash loan specialists and indigenous investors.

Booked banks are recorded under the second calendar of the RBI demonstration, 1934. With a specific end goal to be incorporated under this calendar of RBI Act, banks need to satisfy certain conditions and fulfil the RBI that its issues are not being led against the premiums of its investors. Booked banks are additionally characterized into business and co-agent banks. Scheduled agreeable banks are co-agent Credit organizations that are enrolled under the Co-agent Societies Act. Open Sector banks, Private Sector banks and remote banks are secured under the planned business banks and Regional Rural Banks, Urban co-agent and Rural Co-agent Credit Institutions go under Co-agent Credit Institutions. Non planned banks likewise work in the Indian saving money space; as Local Area banks (LAB). Neighbourhood are set up under the plan declared by the legislature of India in 1996, for the foundation of new Private

Banks of a nearby sort, with locale over a most extreme of three touching areas. LAB help in the preparation of assets of provincial and semi urban locale.

Services Offered:

The results of the saving money industry comprehensively incorporate store items, credit items and redid managing account administrations. Most banks offer a similar sort of items with minor varieties. The fundamental separation is achieved through nature of administration and the conveyance channels that are embraced. Aside from the nonexclusive items like stores (request stores – current, reserve funds and term stores), advances and advances (here and now and long haul advances) and administrations, there have been developments in wording and items, for example, the adaptable term store, convertible sparing stores (wherein sit out of gear trade out sparing record can be exchanged to a settled store) and so forth. Advancements have been progressively coordinated towards the conveyance channels utilized, with the concentration moving towards ATM exchanges, telephone and web keeping money. Item separating administrations have been joined to most items, for example, charge/ATM cards, MasterCard's, assignments and demat administrations. Other managing an account items incorporate expense based administrations that give non-premium salary to the banks. Corporate expense based administrations offered by the banks incorporate treasury items, money administration administrations, letter of credit and bank ensure, charge reducing; figuring and relinquishing administrations; outside trade administrations; shipper managing an account; renting; FICO score;

endorsing and custodial administrations. Retail expense based administrations incorporate settlement and instalment offices, riches administration, exchanging offices and other esteem included administrations.

Challenges and Opportunities

Creating nations like India has countless who don't approach managing an account benefits because of scattered and divided areas. However, in the event that we discuss those individuals who are benefiting keeping money benefits, their desires are raising as the level of administrations are expanding because of the rise of data Technology and gigantic rivalry between the administrations and items gave by various banks. Since, outside banks are playing in Indian market, the quantity of administrations offered has expanded and banks have laid accentuation on meeting the client desires. A developing economy, keeping money deregulation, expanded customer getting, increment in cash supply and low government-set credit rates are the open doors for the managing an account division to develop. The current circumstance has made different difficulties and open doors for the managing account segments which are given beneath:

- Indian Consumer: The greatest open door for the Indian managing an account framework today is the Indian buyer. The Indian buyer now tries to satisfy his way of life desires at a more youthful age with an ideal blend of value and obligation to back utilization and resource creation. This is prompting a developing interest for aggressive, refined retail managing an account administrations. The customer speaks to a business opportunity for an extensive variety of items and administrations—he needs a home loan to fund his home, an automobile advance for his auto; a MasterCard for progressing buys; a ledger; a long haul speculation intend to back his kid's advanced education, a benefits anticipate his retirement; a life coverage approach – the conceivable

outcomes are inestimable. Buyer merchandise organizations are as of now tapping this potential – it is for the banks to benefit as much as possible from the chance to convey answers for this market.

- **Stiff Competition:** The RBI and Government of India continued managing an account industry open for the members of private division banks and outside banks. The remote banks were likewise allowed to set up shop in India either as branches or as auxiliaries. Because of this brought down passage obstructions, numerous new players have entered the market, for example, private banks, outside banks, nonbanking account organizations, and so on. The remote banks and new private area banks have lead the hello there tech upset. For survival and development in exceedingly aggressive condition, banks need to take after the incite and proficient client benefit, which calls for fitting client driven approaches and client amicable techniques.

- **Technology Concerns:** Developing or obtaining the correct innovation, sending it ideally, and after that utilizing it to the most extreme degree is fundamental to accomplish and keep up high administration and effectiveness models while remaining practical and conveying reasonable comes back to investors. Early adopters of innovation get critical upper hand. Overseeing innovation is, thusly, a key test for the Indian keeping money division. Wide inconsistencies exist between different banks the extent that innovation abilities are concerned; the segment overall needs to gain noteworthy ground on this front. The Indian banks are liable to enormous weights to execute as generally their extremely survival would be in question. Its use and e-managing an account is turning into the request of the day with the saving money framework heading towards virtual keeping money.

- **New Ideas:** Knowledge and absorption of new thoughts and patterns are basic to keep the association ahead on the bend. This is valid for managing an account as it is for every single other division. Banks should consistently try to

know about forefront rehearses in managing an account globally and standardize this learning over the association. This will set them up for the future as Indian markets turn out to be more complex and coordinated into the money related markets.

- **Industrial Development:** The improvements in Indian industry and government and the incorporation of India with the worldwide markets additionally offer incalculable chances to the saving money segment. Organizations and governments are progressively looking for brilliant managing an account administrations to enhance their own particular working productivity.

- **Rural Market:** Banking in India is genuinely develop as far as supply, item range and reach, despite the fact that compass in provincial India still remains a test for the private area and outside banks. As far as nature of advantages and capital amplexness, Indian banks are considered to have spotless, solid and straightforward accounting reports with respect to different banks in practically identical economies in its area. Therefore, we have seen a few cases of inorganic development system embraced by some nationalized and private segment banks to confront up and coming difficulties in managing an account industry of India. For instance, ICICI Bank Ltd. blended the Bank of Rajasthan Ltd. with a specific end goal to build its compass in provincial market and piece of the overall industry fundamentally. State Bank of India (SBI), the biggest open segment bank in India has likewise embraced a similar methodology to hold its position. SBI has combined State Bank of Indore in 2010.

- **High Transaction Cost:** A noteworthy worry before the managing an account industry is the high exchange cost of conveying non-performing resources in their books. The development prompted strains in the operational proficiency of banks and the gathering of non-performing resources (NPAs) in their advance portfolios.

- **Social and Ethical Concerns:** Many business banks need to confront the obligation of

social and moral angles. Aside from benefit boost, they should bolster those associations which have some social concerns. Benedikter (2011) characterizes social banks as "manages an account with a soul". These banks concentrate on putting resources into group, giving chances to the hindered and supporting social ecological and moral plans. He additionally clarified that standard banks are as a rule concentrated just on the Principle of Profit augmentation where as social keeping money actualizes the triple guideline of Profit-human planet.

- Human Resource: Another basic region for the Indian saving money part is Human asset. The capacity to pull in and hold ability is a key achievement factor for a people situated efficient managing an account. Banks need to construct associations that are procedure driven yet creative, stable yet adaptable, and receptive to change.

Conclusion

The greatest test for managing an account industry is to serve the mass and immense market of India. Organizations have progressed toward becoming client driven than item driven. The better they comprehend their clients, the more effective banks will be in addressing their necessities. With a specific end goal to relieve previously mentioned challenges Indian banks must cut their cost of their administrations. Another viewpoint to experience the difficulties is item separation. Aside from conventional keeping money administrations, Indian banks must receive some item development so they can contend in extent of rivalry. Innovation up degree is an unavoidable angle to confront challenges. The level of shopper mindfulness is essentially higher when contrasted with earlier years. Presently a-days they require web managing an account, versatile saving money and ATM administrations. New rivalry and changing client requests would posture new difficulties. Brilliance in saving money must be taken to the following level with a specific end goal to maintain quality.

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