

AN ANALYTICAL STUDY ON TRENDS AND DEVELOPMENTS IN INDIAN BANKING SECTOR

Abstract

Banking Industry in India has seen different phases and today it is proven to be a well-established system. Indian Banking Industry is considered to be fundamentally strong which is spearheaded by Reserve Bank of India. In India Banks may be classified as Public Sector Banks, Private Sector Banks, Regional Rural Banks, Co-Operative Banks and so on. The Industry has seen unprecedented growth and diversification over a period of years. Across the world, the assets of the banks will include financial sector assets, it can be considered as close to 70%. In case of emerging markets this is comparatively less. It is estimated that in most of the emerging markets mostly domestic banks would dominate the business of banking. These figures are less in under developed economies. As compared to other countries Internationalization of Banking in India is Minimal. Internationalization is defined as the share of foreign owned banks as a percentage of total assets to the domestic banks. This trend is not uniform across the regions in the world.

The Banking Industry in India has seen series of developments during the last decade. The Covid-19 and its effect across the world have changed the way people were banking. After this Indian Banking Industry has seen revolution in the usage of UPI and this can be considered as UPI revolution. After the advent of Artificial Intelligence and Machine Learning more experiments are happening in this Industry, the scope and scale of activities is more machine based and the intervention of human beings is becoming very minimal.

The current paper is an attempt made to trace the trends and developments in the field of Banking Industry in India. The paper tries to explore Indian Banking System.

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I. INTRODUCTION

Bank is considered to be an Institution which plays an important role in the economic development of a country. Economic Development involves the overall growth of the nation which includes to various sectors. Bank as an Institution collects the savings and tries to pump it into various economic activities which try to generate revenue in the economy. Also, banks involve themselves in various agency services which also contribute in augmenting the economic activities. These days' banks are involving themselves in various Banking and Non-Banking Operations. Merchant Banking Services, Factoring, Leasing, Financial Consultancy etc have become the old features of the banks. The improved version of Banks has introduced more customer friendly initiatives including the Private Banking. It provides banking facilities as per the requirements of individual customers. These banking innovations are aimed at providing quality services to the customers. Current Banking Sector has come up with lot of initiatives which has resulted in augmenting banking services and now it has reached the common masses of India. Jan Dhan Yojana of Government of India is considered to be a huge big success which has facilitated in opening more than 10 million bank accounts across India and now all common benefits to the masses will pass through these accounts which are widely known as DBT (Direct Benefit Transfer).

Detailed Analysis of Banking Trends and Developments

- 1. Digitization:** Over a period of the last 10 years there is aggressive trend in digital services provided by the Indian Bankers. Digital services are becoming indispensable part of Indian Banking System. In India the initial phase of digitization began in 1980s when information technology was used to perform basic operations such as, book keeping, customer services etc. over a period of time the Indian Banking System has graduated to improve customer services. The main shift came after 1991, the introduction of LPG (LIBERALIZATION, PRIVATIZATION AND GLOBALIZATION). Private and International Banks started establishing in India and the Indian markets were opened to Global Markets. The Indian Markets were introduced to Global Markets. After this features like Online Banking, IMPS, RTGS, NEFT, telebanking were enabled to the customers. This has enabled the customers to avail the banking services from anywhere in the world.
- 2. Mobile Banking:** It is a service provided by the banker to help the customer bank using mobile phones, tablets etc. This concept helps the customers of the bank to bank from the convenience of their homes. They can bank from anywhere as per their wish. Mobile Banking helps the users to bank any time using Internet Facilities. The biggest challenge for the banker is to provide software which is customised to different mobile requirements. Various services such as, Money Transfer, tracking accounts, checking balance etc can be availed using Mobile Banking Services.
- 3. Block Chain:** Block Chain is a technology which is considered to be safer than the previous versions. Security is considered to be a major factor in digital services. These services are more prone to frauds and other fraudulent practices. Block Chain is considered as the answer for these challenges. This technology works on computer science, data structures and cryptography. Block Chain is a revolutionary technology as it reduces the risk and increases transparency. It completely stamps out fraud. Block Chain consists of three important concepts namely blocks, nodes and miners.

II. REVIEW OF LITERATURE

Banking is considered to be one such sector which fully contributes in the economic development of a Nation. Any kind of research work to this sector would contribute to the improvement of working results. Effective Management of this sector would naturally contribute in strengthening the fundamentals of a nation. In line with this, some related works which were previously carried out in this area is been reviewed to understand the process and reformation of banking policy.

Kohli (2001) gave special importance on analysis of technology used in Banking Sector. According to this author technology is emerging in the Indian Banking Sector and it is considered to be a key driver in generating business to the Banks. There is a kind of revolution in this sector with respect to digitalization of services. Indian Bankers are fast updating with their counter parts in western and European countries.

Anuradha (2001) proved that the need for change in Indian Banking Sector after LPG was very much needed and international exposure has given more opportunities to the Indian Bankers. The study also highlights various difficulties faced by Indian Bankers in adopting themselves to the changing technology.

Prasad Chowdary (2002) compared the performance of India after 1991 reforms with that of China that took place in 1998. The Author has stated that in India after 1991 several reforms have taken place with respect to Industrial Progress, Policy Reformation, Legal Reforms, Privatization, Globalization and Liberalization.

Janki (2002) states the effect of technology on Labour Productivity. The Author states that Banking Industry need to be more exposed to technology. The study concludes that developing employee technology synergy is critical to achieving productivity and exploring possibilities of reaching to more number of customers.

Majumdar Aloka (2003) states that technology is changing the way banking sector is performing and delivering its functions. The author also has thrown light on the banks management with respect to retail banking.

Guillen and Tschoegi (2008) the study stated that the banks have accepted the modern technology in order to meet customer expectations and at the same time demand for financial products have increased over a period of time. New competitive market has given more advantage to the banks to come up with more innovative products and services.

1. Objectives of the Study

- To understand the nature and development of banking sector in Indian Scenario
- To place on record the influence of technology on the operational efficiency of Banks in India
- To record the reforms that have taken place in the Indian Banking Sector
- To study the recent trends and developments which have taken in the Indian Financial Sector

- 2. Scope of the Study:** The scope of this study is restricted to only Indian Banks and it focuses on understanding the trends and developments that have taken place in the Indian Banking Sector in the recent past.

III.METHODOLOGY

The data used for this study is completely taken from secondary sources and the study is more descriptive in nature. The study chronologically presented the growth and development of Indian Banking Industry.

- 1. Banking Sector in India:** Across the globe Indian Banking Sector is considered to be the oldest one and when it comes to stock markets, banks are considered to be the important bets on any bourse. There are many investors whose portfolios are loaded with Banking Stocks. At the same time there are investors who are averse of Banking Stocks because they tend to believe these stocks would give moderate returns in the long run.

The Indian Banking System is the integration of both Public and Private Sector Banks. In addition to this the system also has foreign banks, regional rural banks and cooperative banks. It is estimated that close to 75% of the Banking business in India is controlled by Public capital which is classified in to two parts tier one and tier two capitals.

- 2. Development in the area of Banking:** The following developments are recorded in the area of Banking:

Investments—the following developments have been taken place with respect to Investments in India.

- Public Sector Banks are queuing up to raise funds using Private Equity and Qualified Institutional Investors
- Moody's rating agency has upgraded rating of India as a country
- Reserve Bank of India has amended its various provisions to allow bankers to invest in various Real Estate Investments.

Government Initiatives

- Small Industries Development Bank of India (SIDBI) is providing loans to all small, medium and micro enterprises.
- A New Portal by name "Udyami Mitra" is launched to help SME Sector
- The Regulator and the Government has taken several initiatives to boost up the SME Sector
- With respect to this the Indian Lok Sabha has approved recapitalization bonds bill.
- The Insolvency and Bankruptcy Code will further strengthen

IV.RECENT DEVELOPMENTS IN INDIAN FINANCIAL SYSTEM

- 1. Supreme Court has upheld the validity of Aadhar Card:** The Apex Court of India has upheld the validity of Aadhar Card and now it not mandatory for anyone to produce

Aadhar for opening a bank account. Aadhar holder's data will not be disclosed to any one as part of national security.

2. **RBI to encourage Fin Tech and Science Labs:** The Reserve Bank of India has endorsed the fact that the government has to encourage the establishment of Fin Tech Companies and setting up of Data Science Labs in order to keep pace with developments in the field of Financial Technology and Data Sciences.
3. **IRDAI to RBC:** IRDAI (Insurance Regulatory and Development Authority of India) is the apex authority which is regulating the Insurance sector in India. Now, IRDAI has decided to move towards RISK BASED CAPITAL regime to protect the interests of policy holders in a better way.
4. **Liquidity Boost:** Reserve Bank of India has increased Statutory Liquid Ratio under the Basel-III norms. This has resulted in 2 percentage increase in treasury holdings of the banks. This would result in high quality assets held by the banks. Basel III norms would essentially add up to 4 lakh crores into the economy.
5. **Independent Payment Regulatory Board:** The Government of India is all set to establish Independent Payments Regulatory Board in order to get some structural reforms in the payment and settlement system. The latest finance bill has proposed many changes in this perspective.
6. **India to become leader in Block Chain Technology:** With the right kind of initiatives taken by the Government and the Industry, India has now become world leader in the adoption of Block Chain Technology. A block chain is an open distributed ledger technology that stores information across multiple systems securely to enable peer to peer transactions by creating a trustworthy source. Banks and other financial institutions are pioneers in the investments towards the acquisition of block chain technology as this technology cuts costs and makes the operations of the bankers more faster and more transparent.

V. SUGGESTIONS

Indian Banking and Financial Sectors have performed really well pre-covid and post covid periods. During 2009 US and other European countries have faced the problem of Sub-Prime Crisis, it is the crisis of Mortgage Loan market. Whereas, Indian Banking Industry has not faced any such crisis since independence. Therefore, it can be concluded that stability of banking sector is very vital in the performance of the economy. The growth of banks mainly depends upon its traditional business such as accepting deposits and lending loans. Therefore, banks need to create trust worthiness among the investors. Wealth creation is considered to be one of the major functions of the bankers in the new era. The key to wealth creation is adding value to the services provided by the bankers. Therefore, technology plays a vital role in this process.

VI. CONCLUSIONS

Indian Bankers still believe in conventional banking set up, therefore, Indian Banking System is not affected by Global Financial Turmoil. The Apex Bank, Reserve Bank of India

is serving to a diverse nation which is unique in its geographic, social and economic characteristics. These days Reserve Bank of India is minimising its role in the operations of Indian Banks. At present, Indian Banking Industry is facing many challenges, such as, improving asset quality, capital adequacy requirements, managing NPAs (NON PERFORMING ASSETS), adopting to the latest technology, maintaining economic stability and so on. Despite all these odds the banking industry in India is preparing itself for a dynamic growth in the future because of its demographics. It has huge population and that too more than 45 percent of the population is below 40 years of age. This would give clear impetus to the industry to grow in the future.

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