

## EMERGING TRENDS IN INDIAN BANKING SECTOR

**Prof. Manoj B. Makawana**

Pragati college, Dombivli (E)

**Abstract :** Today the banking industry is stronger and capable of withstanding the pressures of competition. While internationally accepted prudential norms have been adopted, with higher disclosures and transparency, Indian banking industry is gradually moving towards adopting the best practices in accounting, corporate governance and risk management.

**Keywords:** Emerging Trends , Indian Banking , Sector .

### INTRODUCTION

Banks play an important role in the economic development of developing countries. Economic development involves investment in various sectors of the economy. The banks collect savings for investment in various projects. In normal banking the banks perform agency services for their customers and help economic development of the country. The purchase and sales securities, shares, make payments, receive subscription funds and collect utility bills for the Government department. There for banks save time and energy of busy peoples. Bank arranges foreign exchange for the business transactions with other countries. Banking sector are not simply collecting funds but also serve as a guide to the customer about the investment of their money.

Current banking sector has come up with a lot of initiatives that oriented to providing a better customer services with the help of new technologies. Banking sector mirrors the larger economy its linkages to all sectors make it proxy for what is happening in the economy as a whole. Indian banking sector today has the same sense of excitement and opportunity that is evidence in the Indian Economy. The going developments in the global markets offer so many opportunities to the banking sector. In the competitive banking word improvement day by day in customer services is the most useful tool for their better growth. Bank offers so many changes to access their banking and other services.

### Objectives of study:-

- a) To explain the national and commercial banking scenario in India.
- b) To analysis of the impact of liberalization Privatization and Globalization.
- c) To explain the recent trends in changing banking scenario.
- d) To study the opportunities the banks in changing banking scenario.

### Methodology of study:-

This study is based on the analysis of the banking scenario in the India and the recent trends and opportunities in the banking with the help of secondary data collection.

## Emerging Trends In Indian Banking Sector

---

**Secondary data:** - The secondary sources of data are banking books, annual reports of RBI, internet (websites) and research papers etc.

### Present banking scenario:-

In 2009-10 there was a slowdown in the balance sheet growth of scheduled commercial banks (SCBs) with some slippages in their asset quality and profitability. Bank credit posted a lower growth of 16.6 per cent in 2009-10 on a year-on-year basis but showed signs of recovery from October 2009 with the beginning of economic turnaround. Gross nonperforming assets (NPAs) as a ratio to gross advances for SCBs, as a whole, increased from 2.25 per cent in 2008 - 09 to 2.39 percent in 2009 – 10. Notwithstanding some knock-on effects of the global financial crisis, Indian banks withstood the shock and remained stable and sound in the post-crisis period. Indian banks now compare favorably with banks in the region on metrics such as growth, profitability and loan delinquency ratios. In general, banks have had a track record of innovation, growth and value creation. However this process of banking development needs to be taken forward to serve the larger need of financial inclusion through expansion of banking services, given their low penetration as compared to other markets.

During 2010-11, banks were able to improve their profitability and asset quality. Stress test showed that banking sector remained reasonably resilient to liquidity and interest rate shocks. Yet, there were emerging concerns about banking sector stability related to disproportionate growth in credit to sectors such as real estate, infrastructure, NBFCs and retail segment, persistent asset-liability mismatches, higher provisioning requirement and reliance on short-term borrowings to fund asset growth.

Today role of banking industry is very important as one of the leading and mostly essential service sector. India is the largest economy in the world having more than 110 crore population. Today in India the service sector is contributing half of the Indian GDP and the banking is most popular service sector in India. The significant role of banking industry is essential to speed up the social economic development.

The present banking scenario provides a lot of opportunities. In the past few years we observed that there was lot of down and up trends in banking sector due to the global finance crisis. To improve major areas of banking sector Govt. of India. RBI, Ministry of finance has made several notable efforts. Many of leading banks operating in market have made use of the changed rules and regulations such as CRR, Interest Rates Special offers to the customers such as to open account in zero balance.

The Indian banking system is set to involve into a totally new level. It will help the banking system to grow in strength going into future. Due to liberalization banks are operating on reduced spread main focus is highlighted on consumerism and how to customers linked and remain attached with the bank. Therefore banks are entered these days in non banking products such insurance in which area there are tremendous opportunities.

## NOW I HIGHLIGHT THE EMERGING TRENDS IN INDIAN BANKING SECTOR

### Recent Trends in Banking

- ❖ **Automatic Teller Machine (ATM):-** Automatic Teller Machine is the most popular devise in India, which enables the customers to withdraw their money 24 hours a day 7 days a week. It is a devise that allows customer who has an ATM card to perform routine banking transactions without interacting with a human teller. In addition to cash withdrawal, ATMs can be used for payment of utility bills, funds transfer between accounts, deposit of cheques and cash into accounts, balance enquiry etc.
- ❖ **Tele Banking:-** Tele Banking facilitates the customer to do entire non-cash related banking on telephone. Under this devise Automatic Voice Recorder is used for simpler queries and transactions. For complicated queries and transactions, manned phone terminals are used.
- ❖ **Electronic Clearing Service (ECS) :-** Electronic Clearing Service is a retail payment system that can be used to make bulk payments/receipts of a similar nature especially where each individual payment is of a repetitive nature and of relatively smaller amount. This facility is meant for companies and government departments to make/receive large volumes of payments rather than for funds transfers by individuals.
- ❖ **Electronic Funds Transfer (EFT) :-** Electronic Funds Transfer (EFT) is a system whereby anyone who wants to make payment to another person/company etc. can approach his bank and make cash payment or give instructions/authorization to transfer funds directly from his own account to the bank account of the receiver/beneficiary. Complete details such as the receiver's name, bank account number, account type

## Emerging Trends In Indian Banking Sector

---

(savings or current account), bank name, city, branch name etc. should be furnished to the bank at the time of requesting for such transfers so that the amount reaches the beneficiaries' account correctly and faster. RBI is the service provider of EFT.

❖ **Real Time Gross Settlement (RTGS) :-** Real Time Gross Settlement system, introduced in India since March 2004, is a system through which electronics instructions can be given by banks to transfer funds from their account to the account of another bank. The RTGS system is maintained and operated by the RBI and provides a means of efficient and faster funds transfer among banks facilitating their financial operations. As the name suggests, funds transfer between banks takes place on a 'Real Time' basis. Therefore, money can reach the beneficiary instantaneously and the beneficiary's bank has the responsibility to credit the beneficiary's account within two hours.

❖ **Point of Sale Terminal: -** Point of Sale Terminal is a computer terminal that is linked online to the computerized customer information files in a bank and magnetically encoded plastic transaction card that identifies the customer to the computer. During a transaction, the customer's account is debited and the retailer's account is credited by the computer for the amount of purchase.

**We have highlighted above some of the new emerging trends. Now I highlights the opportunities that new trends brings in the growth and development of banking sector in our country**

### **OPPORTUNITIES:-**

**1)Internet Banking:-** It is clear that online finance will pickup and there will be increasing convergence in terms of product offerings banking services, share trading, insurance, loans, based on the data warehousing and data mining technologies. Anytime anywhere banking will become common and will have to upscale, such up scaling could include banks launching separate internet banking services apart from traditional banking services.

**2)Retail Lending: -** Recently banks have adopted customer segmentation which has helped in customizing their product folios well. Thus retail lending has become a focus area particularly in respect of financing of consumer durables, housing, automobiles etc., Retail lending has also helped in risks dispersal and in enhancing the earnings of banks with better recovery rates.

**3)Rural area customers: -** Contributing to 70% of the total population in India is a largely untapped market for banking sector. In all urban areas banking services entered but only few big villages have the banks entered. So that the banks must reach in remaining all villages because majority of Indian still living in rural areas.

**4)Offering various Channels: -** Banks can offer so many channels to access their banking and other services such as ATM, Local branches, Telephone/mobile banking, video banking etc to increase the banking business.

**5)Good Customer Services: -** Good customer services are the best brand ambassador for any bank for growing its business. Every engagement with customer is an opportunity to develop a customer faith in the bank. While increasing competition customer services has become the backbone for judging the performance of banks.

**6)Indian Customers: -** The biggest opportunity for the Indian banking sector today is the Indian customers. The Indian customers now seek to fulfill his lifestyle aspirations at a younger age with an optimal combination of equity and debt to finance consumption and asset creation. He represents across cities, towns and villages i.e. in rural areas. Consumer goods companies are already tapping this potential it is for the banks to make the most of the opportunity to deliver solutions to this market.

**7)Other Opportunities:-** there are many other opportunities in future in the field of Indian banking sector e.g. to enter new business and new markets, To develop new ways of working, To improve efficiency, To deliver high level of customer services.

### CONCLUSION:-

Indian Banking Industry has shown considerable resilience during the return period. The second generation returns will play a crucial role in further strengthening the system. Indian banking system will further grow in size and complexity while acting as an important agent of economic growth and intermingling different segments of the financial sector. It is sure that the future of banking will offer more sophisticated services to the customers with the continuous product and process innovations. Adoption of stringent prudential norms and higher capital standards, better risk management systems, adoption of internationally accepted accounting practices and increased disclosures and transparency will ensure the Indian Banking industry keeps pace with other developed banking systems. Finally the banking sector will need to master a new business model by building management and customer services. Banks should contribute intensive efforts to render better services to their customer. Nationalized and commercial banks should follow the recent trends and to get advantage of opportunities in changing banking scenario.

### REFERENCES:-

- 1) Romeo S. Mascarenhas (2008) Marketing in banking and Insurance Vipul prakashan Mumbai 400004.
- 2) The Chartered Accountant Volume 56 No 5 November 2007 edition.
- 3) The Indian Banking Sector: Recent Developments, Growth and Prospects, (2013).
- 4) Chellaswamy P. (2010), Modern Banking Management?, Himalaya Publishing House.
- 5) Edet, O. (2008). Electronic Banking in Banking Industries and its Effects. I J of Investment & Finance, Vol. 3,.
- 6) [www.moneycontrol.com/news/press-release/reporttrendprogressbankingindia-2010-11\\_617218.html](http://www.moneycontrol.com/news/press-release/reporttrendprogressbankingindia-2010-11_617218.html)
- 7) [www.articlesbase.com/information-technology-articles/it-emergence-recent-trends-in-banking-industry-of-india-1981838.html](http://www.articlesbase.com/information-technology-articles/it-emergence-recent-trends-in-banking-industry-of-india-1981838.html)
- 8) [www.ibef.org/industry/banking-india.aspx](http://www.ibef.org/industry/banking-india.aspx)
- 9) [www.abhinavjournal.com/images/Commerce\\_&\\_Management/Mar13/8.pdf](http://www.abhinavjournal.com/images/Commerce_&_Management/Mar13/8.pdf)
- 10) [www.bis.org/publ/bppdf/bispap28n.pdf](http://www.bis.org/publ/bppdf/bispap28n.pdf)
- 11) [vikalpa.com/pdf/articles/2003/2003\\_july\\_sep\\_83\\_99.pdf](http://vikalpa.com/pdf/articles/2003/2003_july_sep_83_99.pdf)
- 12) [www.rbi.org.in](http://www.rbi.org.in)
- 13) [www.wikipedia.com](http://www.wikipedia.com)
- 14) [www.moneyindia.com](http://www.moneyindia.com).