International Journal of Information Movement ***Vol. 9 Issue I*** ***(May 2024)***
Website: www.ijim.in ***ISSN: 2456-0553 (online)*** **Pages 30-34**

INDIAN BANKING SECTOR TRENDS AND DEVELOPMENT – AN ANALYSIS

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Abstract: With the Reserve Bank of India serving as the central bank of the system, today we have a fairly well-developed banking system that includes various classes of banks, including public sector banks, foreign banks, private sector banks, old and new generation, regional banks, rural banks and cooperative banks. In the history of banking elsewhere in the world there is no comparison to the extraordinary expansion and diversification that the banking sector has experienced. While these figures are much lower in industrialized countries, bank assets account for more than 80% of total financial industry assets in most developing regions. More than two-thirds of banking assets are held by the five largest banks, which are typically local in most developing market countries. The extent to which banking activities are internationalized is another difference between the banking sectors of established and developing countries. In developing economies, internationalization—defined as the share of foreign-owned banks in total bank assets—tends to be substantially lower. However, this tendency varies across global regions. Over the last few decades, the banking sector has undergone several significant changes. One of the most significant of these is a shift in the types of organizations that control the terrain. Since the 1980s, banks have expanded the scope and depth of their operations, and many have grown into extremely large institutions with nationwide reach. The study deals with the developments and trends in the Indian banking sector.

Keywords: Indian Banking Sector, Emerging Trends & Progress and Emerging Economies

1.0 Introduction

In developing countries, banks are crucial to the growth of their economies. Investments in various economic sectors are an essential part of economic development. Banks pool savings to fund a range of initiatives. In ordinary banking, banks help in the economic growth of the country and provide agency services to their clients. buying and selling securities, stocks, receiving subscription funds and collecting payments for government agency bills. For this reason, banks help busy individuals save time and energy. Foreign exchange is provided by banks for international business transactions. In addition to accepting deposits, banking advises clients on how best to invest their money. In developing countries, banks are crucial to the growth of their economies. Investments in various economic sectors are an essential part of economic development. Banks pool savings to fund a range of initiatives. In ordinary banking, banks help in the economic growth of the country and provide agency services to their clients. buying and selling securities, stocks, receiving subscription funds and collecting payments for government agency bills. For this reason, banks help busy individuals save time and energy. Foreign exchange is provided by banks for international business transactions. In addition to accepting deposits, banking advises clients on how best to invest their money.

2.0 Review Of Literature

In May 2010, Sandip Ghosh Hajra and Dr. Kailash B.L. Srivastava in her article "Impact of Service Quality on Customer Satisfaction, Loyalty and Commitment in the Indian Banking Sector" reviewed the importance of determining competitiveness in order to build, maintain and satisfy bank customer relationships. Key components of great service quality include a customer-centric corporate culture, a well-designed service system, and the effective use of information and technology. In this sense, Indian banking has responded to these demands by focusing more on improving service quality to maintain its position in the market. This enabled him to anticipate future needs and difficulties. Currently, providing satisfactory service quality is a key competitive strategy in the Indian banking industry. Investigating how customers perceive the quality of service they receive and how this relates to their commitment, loyalty and satisfaction with banks is essential.
Ashok J. Kumar. M, Rajesh. R in his article "Are Today's Clients Satisfied? According to a September 2009 Bank Survey, the Industrial Policy of 1991 brought about a significant transformation in the Indian banking sector. Prior to this approach, clients were mostly ignorant of the banking industry. With the introduction of large private and international banks and industrial however, the whole situation changed with the policy of 1991. A new generation of banks, which appear to be sleek and powerful, also began to take over the market share was information and technology that revolutionized service delivery through new channels and

platforms.It is also recommended that banks created a council dedicated to customer service during this phase of competition.

3.0 Need of the study

Are today's clients satisfied? According to a survey conducted with Banks in September 2009, the Industrial Policy of 1991 brought about a significant transformation in the Indian banking sector. Before this approach, clients were mostly unfamiliar with banking. However, with the introduction of large private and international banks and the industrial policy of 1991, the whole situation shifted. A new generation of banks that appear to be sleek and efficient have begun to gain market share. Information and technology have also been at the core of the banking industry, revolutionizing the delivery of services through new channels and platforms. It is also recommended that banks create a customer service board during this stage of the competition. Customer expectations are growing in tandem with improving service quality.

4.0 Objectives of the Study

1. To clarify the latest developments in the evolving financial environment.
2. To explore the opportunities that banks have in the evolving banking environment.
3. To understand the latest developments in the field of banking changes

5.0 Methodology of the Study:

This study is based on the secondary source of data.

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

5.2 Emerging Trends: Creating an organizational structure that generates intellectual capital has proven quite challenging for banks and other financial institutions. This is especially true at a time when "creative destruction" is accelerating at the fastest rate in the history of the financial industry. The process of creative destruction results in the creation of new structures. In this case, managers belonging to the "new generation" may have a stricter work schedule than their predecessors. an attitude that emphasizes managing "competing imperatives" more than the "integrity and prudence" that characterized bankers of the past. What does the term "new generation" mean? What distinguishes the young generation from the more established one? What has changed and what is still changing? Is it really that important? A generation often refers to a roughly 23-30 year window—during which most individuals enter adulthood and start families—when we talk about measuring time. Another meaning of "generation" is a collective identity that arises from shared experiences. The identification of managers belonging to the "new generation" would therefore be based on our shared experience of a world undergoing change, which is a consequence of a wider historical background. To understand this better, we will examine the Indian banking sector in detail.
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Historians may dissect the past into an unlimited number of pieces, but post-independence Indian banking has seen very few pivotal moments in terms of revolutionary change. The first was the Banking Regulation Act of 1949, which established a formal and comprehensive framework for banking supervision and regulation in India. The second of these moments was the nationalization of our national banks. It created a dynamic that brought banking from the wealthy to the general public. It was therefore a decisive catalyst for the financial expansion of institutions and the empowerment of the common man, leading to the building of very significant infrastructure across the subcontinent. The financial sector reform program of the early 1990s marked the third inflection point in the history of banking. These changes signaled a significant change in the way Indian banks did business. The drive to increase efficiency and the need to relocate them due to the reality of the environment and their internal strengths and weaknesses resulted from the changed environment, internal pressures caused by increased competition and the need to increase their market share and profitability. This time frame also marked the beginning of the Knowledge Revolution, which ushered in a massive third wave of technological, social, and economic transformation that still requires societies to operate in entirely new and ever-evolving ways, as Alvin Toffler so eloquently put it. In fact, every last bit of industrial-era thought is currently being re-examined and reformulated. We have huge bursts of creative thinking precisely when the old paradigm is broken and the new one is not yet firmly established. Maybe it's time for that. What lies ahead? There is no doubt about it: the future will not be a repeat of the past. Instead, there will be a series of discontinuities. Discontinuity is fascinating because it creates opportunities. We are in a time of historically rich opportunities. However, opportunity also brings responsibility. The managers of tomorrow must find their own place, recognize when to veer off course, and stay focused and productive at all times. To perform successfully, one must have a thorough self-awareness, including one's abilities and limitations, as well as learning styles, interpersonal dynamics, values, and areas of greatest contribution. We can only achieve true brilliance when we play to our strengths, right? Understanding and navigating difficult shifts is key to creating strategies for their companies as new managers. Our approach to tracing India's evolving banking scene is rather ad hoc, drawing primarily on Edward E. Furash's research on transition patterns. It may be easier to map the competencies the next generation of managers will need to turn these opportunities into challenges as the environment evolves if they are aware of these patterns.

5.3 Present banking Scenario: Scheduled commercial banks (SCBs) saw a slowdown in their balance sheet expansion in 2023-24, along with some slippage in their asset quality and profitability. While bank credit grew at a slower pace of 16.6% in 2023-24 compared to the previous year, it started to show signs of improvement in October 2023, coinciding with the start of the economic recovery. The percentage of gross non-performing assets (NPAs) to gross loans for SCBs has increased from 2.25 per cent in 2022-23 to 2.39 per cent in 2023-24. The global financial crisis had significant knock-on effects, but Indian banks survived the shock and continued their stable and healthy operations as a result. In terms of indicators such as growth, profitability and loan default rates, Indian banks now compare favorably with banks in the region. However, given their low penetration compared to other markets, this banking development process must continue to respond to greater demand for financial inclusion through the expansion of banking services. Banks were able to increase their asset quality and profitability in 2023-2024. According to stress tests, the banking sector is still mostly resilient to shocks to interest rates and liquidity. However, there are growing concerns about the stability of the banking sector due to factors such as persistent asset-liability mismatch, higher provisioning requirements, disproportionate credit growth to sectors such as real estate, infrastructure, NBFCs and retail segment, and reliance on short-term loans for funding asset growth. Banking, as one of the most significant and important service sectors today, plays a key role. With a population of over 110 million, India has the largest economy in the world. Currently, India's services sector accounts for half of the GDP, with banking being the most popular industry in the country. The banking sector plays a vital role in accelerating social and economic development. The current state of banking offers several opportunities. Due to the global financial crisis, we have seen many ups and downs in the banking industry in the last few years. The RBI, the Ministry of Finance and the Government of India have made remarkable efforts to improve key aspects of the banking system. The banking sector in India is undergoing a radical transformation. It will contribute to the future strengthening of the financial sector. As banks now operate on a smaller scale as a result of liberalization, the main focus is on consumerism and how clients connect and remain loyal to the bank. As a result, banks are now offering non-banking items such as insurance where there are plenty of business prospects.

6.0 **Highlight the Emerging Trends In Indian Banking Sector**

6.1 Recent Trends in Banking

1. **Automatic Teller Machine (ATM):** The most widely used device in India is the automatic teller machine that allows users to withdraw cash at any time of the day, any day of the week. With the help of this gadget, customers with ATM cards can perform standard banking operations without speaking to a live teller. ATMs can be used not only to withdraw cash; they can also be used to pay utility bills, transfer money between accounts, deposit checks and cash into accounts, check balances, and more.

2. **Telebanking:** Customers can complete all their cashless banking over the phone using telebanking. This device uses an automatic voice recorder for basic inquiries and transactions. Human-operated telephone terminals are used for complex inquiries and transactions.

3. **Electronic Clearing Service (ECS):** A retail payment system called Electronic Clearing Service can be used to process a large number of comparable payments or receipts, especially if the individual payments are smaller and more recurring. Rather than personal money transfers, the service is designed to handle the vast amount of payments made and received by businesses and government agencies.

4. **Electronic Funds Transfer (EFT):** Using the Electronic Funds Transfer (EFT) system, anyone who wants to send money to another person, business, etc. can visit their bank, pay in cash or instruct/authorize the bank to send. money directly from his account to the bank account of the recipient or recipient. To ensure that money reaches the beneficiaries account accurately and quickly, complete information such as beneficiary name, bank account number, account type (savings or current account), bank name, city, branch name etc. of the bank in at the time of requesting such transfers. EFT services are provided by RBI.

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5. **Real Time Gross Settlement (RTGS):** Introduced in India since March 2004, Real Time Gross Settlement allows banks to electronically direct each other to move money from one bank account to another. The RBI manages and operates the RTGS system, which enables faster and more efficient money transfers between banks and enables their financial activities. As the term suggests, money transfers between banks take place in real time. As a result, the funds are immediately available to the beneficiary and within two hours the beneficiary's bank is responsible for crediting the beneficiary's account.

6. **Point-of-Sale Terminal:** A Point-of-Sale Terminal is a computer that is connected via the Internet to computer files of customer information stored in banks, as well as to a plastic transaction card that has been magnetically imprinted to uniquely identify each customer on the computer. The computer credits the merchant's account with the amount of the purchase and deducts from the customer's account during the transaction. Some of the latest developments have been highlighted above. Now I want to draw attention to the prospects that represent new trends for the expansion and development of banking in our country.

6.2 Opportunities:

❖ **Online Banking:** It is clear that with advances in data warehousing and data mining technologies, the online financial industry will grow and witness increasing convergence in terms of product offerings, including banking services, stock trading, insurance and lending. The growing popularity of anytime, anywhere banking will require an upgrade, which may include institutions offering online banking services different from their current offering.

❖ **Retail lending: -** Banks have recently started to use client segmentation, which has greatly helped the adaptation of their product portfolios. As a result, retail loans have gained traction, especially when it comes to financing items such as cars, homes and consumer durables. It also helped to spread risks and increase banks' profits by improving rates of return.

❖ **Rural customers:** constituting 70% of the total population of India is a relatively unexplored market for the banking industry. While financial services are available in all metropolitan areas, only a few large villages have banks. Since most Indians still live in rural areas, banks have to reach out to the remaining communities.

❖ **Offering multiple channels:** To grow their banking business, banks can provide a wide variety of banking channels, including ATMs, local branches, phone and mobile banking, video banking and more. Excellent customer service: The bank's biggest asset for expanding its clientele is its customer service department. Every interaction with a customer is a chance to increase their trust in the bank. In the growing competition, the evaluation of the bank's efficiency depends primarily on the services provided to clients. Indian Clientele: Indian consumers represent the biggest opportunity for the banking industry in India today. By using the right amount of credit and equity to finance asset development and consumption, Indian clients are increasingly looking to achieve their life goals sooner rather than later.

❖ **Other opportunities:** The Indian banking industry has a plethora of potential opportunities, including how to expand into new markets and commercial ventures, create innovative work processes, increase productivity and deliver superior customer service.

7.0 Conclusion

In this overall situation, the policy regarding financial services, and banking in particular, has to be taken into account. It is noteworthy to note that the commitments of many major countries in the banking sector are relatively modest and that the WTO discussions on financial services have been cautious. In other words, banks seem to have a special position in public policy when it comes to the issue of national ownership of financial intermediaries. Whether mature or emerging, all major economies have several unique characteristics when it comes to the ownership and management of their banks. Almost all banks are either heavily state-owned or widely held. The extent of ownership, type of ownership and control, and transfers of such ownership or control through legal support are also subject to unique requirements. This makes sense because banks are special. These concerns are reflected in WTO negotiations on commitments related to the opening of the local banking system to foreign institutions and ownership in most major countries. It is important to remember what Bank of England Governor Sir Eddie George said about why banks are unique: "banks remain unique in the specific roles that banks play – they serve as the primary source of non-market funding for a large part of the economy, the immediately available repository moreover, the liquidity of the system and the central payment mechanism Banks continue to be unique due to the unique characteristics of their balance sheets necessary to carry out these tasks and liabilities, which makes banks particularly vulnerable to systemic risk in the conventional sense of the word He is considerably more direct when he states that with banks cannot be treated in the same way as non-bank entities.

It is quite clear from the data that the financial intermediation market in developing countries is still dominated by banks. This makes sense for a number of reasons, including savers' need for a guaranteed income, their inability to manage financial risk, and the fact that banks benefit to varying degrees from implicit and explicit government guarantees as well as deposit insurance. It is noteworthy that every financial crisis, regardless of whether the institutions are privately or publicly owned, on a domestic or international basis, inevitably results in significant expenses for the government. Banking crises have equity-neutral fiscal consequences. From this perspective, a crucial issue is whether banks play a different role in financial integration in industrialized countries than in developing market economies. While these figures are much lower in industrialized countries, bank assets account for more than 80% of total financial industry assets in most developing regions. More than two-thirds of banking assets are held by the five largest banks, which are typically local in most developing market countries. The numbers in advanced economies are much lower. The extent to which banking activities are internationalized is another difference between the banking sectors of established and developing countries. In developing economies, internationalization—defined as the share of foreign-owned banks in total bank assets—tends to be substantially lower. However, this tendency varies across global regions. Finally, the process of consolidation represents a significant difference between banking in industrialized and developing countries, especially in recent years. The predominant cross-border nature of mergers and acquisitions in emerging markets is the most obvious difference between the consolidation process in established and developing economies. In particular, cross-border mergers have been the exception rather than the rule, both within continental Europe and between US and European institutions. On the other hand, as a result of the privatization process, which is often associated with crises, there has been a significant increase in foreign ownership in some emerging market banks.

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