A Study on Emerging Challenges & Opportunities for Indian Banking Sector

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ABSTRACT: Banking sector is treated as a backbone of a nation as it plays multifarious role for the all total growth of a developing country like India. The banking industry in India has a huge canvas of history, which covers the traditional banking Practices from the time of Britishers to the reforms period, nationalization to privatization of banks and now increasing numbers of foreign banks in India. Therefore, Banking in India has been through a long journey. Banking industry in India has also achieved a new height with the changing times. The use of technology has brought a revolution in the working style of the banks. Nevertheless, the fundamental aspects of banking i.e. trust and the confidence of the people on the institution remain the same. Here commercial banks cater to short and medium term financing requirements, while national level and state level financial institutions meet longer-term requirements. Banking industry in India has also achieved anew height with the changing times. Most of banks provide various services such as Mobile banking, SMS & Net banking and ATMs to their customers for their convenience. The use of technology has brought a revolution in the working style of the banks. Banking today has transformed into a technology intensive and customer friendly model with a focus inconvenience. However, changing dynamics of banking business also brings new kind of risk exposure.

Keywords: Rural Market; Risk Management; Global Banking; Employee and Customer Retention.

I. INTRODUCTION

Banking in India started with the establishment of three presidency banks under the Presidency Bank’s Act 1876 i.e. Bank of Calcutta, Bank of Bombay and Bank of Madras. In 1921, all presidency banks were amalgamated to form the imperial Bank of India. Imperial bank carried out limited central banking functions also prior to establishment of RBI. Reserve bank of India Act was passed in 1934 & Reserve Bank of India (RBI) was constituted as an apex bank without major government ownership. Banking Regulations Act was passed in 1949. Under this act, RBI got wide RBI was empowered in 1960, to force compulsory merger of weak banks with the strong ones. The total number of banks was thus reduced from 566 in 1951 to 85 in 1969. In July1969, government nationalized 14 banks having deposits of Rs.50 crores& above. In 1980, government acquired 6 more banks with deposits of more than Rs.200 crores. Nationalization of banks was to make them play the role of catalytic agents for economic growth &development. The Narsimham Committee report suggested wide ranging reforms for the banking sector in 1992 to introduce internationally accepted banking practices. After this, until the 1990s, the nationalized banks grew at a pace of around 4%, closer to the average growth rate of the Indian economy. The structure of the banking system of India comprises two major parts: Organized and unorganized sector. The organized sector comprises the institutions which provide mainly short term credit to business, specialized term lending institutions which provide long term requirements of industry agriculture & foreign trade. The unorganized sector comprise of the money lenders and the indigenous bankers.

COMMERCIAL BANKS: A commercial bank (or business bank) is a type of retail bank that provides services, such as accepting deposits, giving business loans and basic investment products. Commercial banks perform many functions. They satisfy the financial needs of the sectors such as agriculture industry, trade, communication, so they play very significant role in a process of economic social needs throughout the country. The commercial banking structure in India consists of: (i) Scheduled Commercial Banks (ii) Non-scheduled Banks.

Scheduled commercial Banks: constitute those banks which have been included in the Second Schedule of Reserve Bank of India (RBI) Act, 1934. For the purpose of assessment of performance of banks, the Reserve Bank of India categorizes them as public sector banks, old private sector banks, new private sector banks and foreign banks.

Non-scheduled banks: are those which are not included in second Schedule of the Reserve Bank of India.

CO-OPERATIVE BANKS: RBI was empowered in 1960, to force compulsory merger of weak banks with the strong ones. The total number of banks was thus reduced from 566 in 1951 to 85 in 1969. In July 1969,
government nationalized 14 banks having deposits of Rs.50 crores & above. In 1980, government acquired 6 more banks with deposits of more than Rs.200 crores. Nationalization of banks was to make them play the role of catalytic agents for economic growth & development. The Narsimham Committee report suggested wide ranging reforms the banking sector in 1992 to introduce internationally accepted banking practices. After this, until the 1990s, the nationalized banks grew at a pace of around 4%, closer to the average growth rate of the Indian economy. The structure of the banking system of India comprises two major parts: Organized and unorganized sector. The organized sector comprises the institutions which provide mainly short term credit to business, specialized term lending institutions which provide long term requirements of industry agriculture & foreign trade. The unorganized sector comprise of the money lenders and the indigenous bankers.

INDIGENOUS BANKERS: According to the Indian Central Banking Enquiry Committee, "an indigenous banker is any individual or private firm receiving deposits and dealing in Hundies or lending money". Indigenous bankers lend money; act as money changers and finance trade by means of internal bill of exchange. With their own capital they grant loans against securities such as gold, jewellery, land, promissory notes etc. Their area of operation is limited, they know their customers intimately. They can watch whether the loan granted is used for the purpose or not. Therefore these types of bankers are existing even now. The indigenous bankers can be classified into the following three categories: (i) Those whose main business is banking (ii) Those who combine their banking business with trading activities and (iii) Those who act as commission agents. In India the majority of the indigenous bankers belong to the second category. The number of villages in India is too large, while the size of each village is so small that any comprehensive scheme for opening branches of commercial banks to cover all the villages is not possible. Therefore, the indigenous bankers have to continue to play a unique part mainly in rural finance. The indigenous bankers do not normally have contacts with other banking institutions in the country.


<table>
<thead>
<tr>
<th>Year</th>
<th>Public Sector Banks</th>
<th>Old Private Sector Banks</th>
<th>New Private Sector Banks</th>
<th>Foreign Banks</th>
<th>All Scheduled Commercial Banks</th>
</tr>
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<tbody>
<tr>
<td>2002-03</td>
<td>-0.07</td>
<td>1.06</td>
<td>1.85</td>
<td>1.58</td>
<td>0.16</td>
</tr>
<tr>
<td>2003-04</td>
<td>0.57</td>
<td>0.91</td>
<td>1.73</td>
<td>1.19</td>
<td>0.67</td>
</tr>
<tr>
<td>2004-05</td>
<td>0.77</td>
<td>0.81</td>
<td>1.55</td>
<td>0.97</td>
<td>0.82</td>
</tr>
<tr>
<td>2005-06</td>
<td>0.42</td>
<td>0.48</td>
<td>1.03</td>
<td>0.69</td>
<td>0.47</td>
</tr>
<tr>
<td>2006-07</td>
<td>0.57</td>
<td>0.84</td>
<td>0.97</td>
<td>1.17</td>
<td>0.66</td>
</tr>
<tr>
<td>2007-08</td>
<td>0.42</td>
<td>0.59</td>
<td>0.81</td>
<td>0.93</td>
<td>0.49</td>
</tr>
<tr>
<td>2008-09</td>
<td>0.72</td>
<td>1.08</td>
<td>0.44</td>
<td>1.32</td>
<td>0.75</td>
</tr>
<tr>
<td>2009-10</td>
<td>0.96</td>
<td>1.17</td>
<td>0.90</td>
<td>1.56</td>
<td>1.01</td>
</tr>
<tr>
<td>2010-11</td>
<td>1.12</td>
<td>1.20</td>
<td>0.83</td>
<td>1.65</td>
<td>1.13</td>
</tr>
<tr>
<td>2011-12</td>
<td>0.87</td>
<td>0.33</td>
<td>1.05</td>
<td>1.29</td>
<td>0.89</td>
</tr>
<tr>
<td>2012-13</td>
<td>0.82</td>
<td>0.58</td>
<td>0.97</td>
<td>1.54</td>
<td>0.88</td>
</tr>
<tr>
<td>2013-14</td>
<td>0.83</td>
<td>0.7</td>
<td>0.91</td>
<td>1.65</td>
<td>0.90</td>
</tr>
</tbody>
</table>

(Source: Report on Trend & Progress of Banking in India, RBI)

Table 1 shows a comparative profit performance (Net Profit as a % of Total Assets) of different Banks- Groups during the period 2002–2014. An important aspect of bankingsoundness is ample of cash in hand and capital adequacy ratios. Banks would be in a better position to lend large amounts of short-term credits through public issues, if the banks are in sound condition and enjoy investor's confidence and observe various prudential measures prescribed from time to time. Another way to enhance capital ratios is through reinvested profits. Thus, enhancing the strength of the banking institutions depends on the need for long-term strength and efficiency of any bank. Thus, we cannot afford the luxury of ignoring profitability of banks and factors contributing in enhancing the same. In view of the foregoing, the quest for profitability is central both from the point of view of safeguarding and strengthening the viability of banks and their role in the socio-economic objectives of the society. In this context, identification of determinants of profitability would facilitate efficient use of bankers resources and long-term banking performance.

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II. OBJECTIVES OF THE STUDY
The objective of this study is to identify how Indian banking sector functions with the available opportunities and to meet the emerging challenges in a competitive technological intensive business environment.

III. REVIEW OF LITERATURE
Passah, P.M. (2002), analyzed the Indian financial system comprising the commercial banks, the financial institutions and the capital markets. He concluded that the reisearch change in the Indian banking sector in the post-financial sector reforms.

Zhou’s (2004) study is on “The dimensions of customer satisfaction in the Chinese retail banking”. The factors contributing to customer satisfaction are determined using the model of SERVPERF. Her study points that empathy, responsiveness of the employee, reliability, assurance from the bank and the tangibility of services are the important factors affecting customer satisfaction.

Bhayani (2005) conducted a study among 200 customers on the retail banking awareness of private banks, nationalized and co-operative banks in the Rajkot city of Gujarat. The conclusion is that retail customers are not aware of technology-assisted banking services.

Amit and Anwarin (2006) view that most of the Indian banks are providing retail banking services like phone banking, internet banking, multi-city cheque facility, any branch banking and bill pay services. Along with technology-based services, banks are concentrating on business intelligence to provide better customer services.

Molina, Martin, Consuegra, and Esteban (2007) have made a study on “The impact of relational benefits on customer satisfaction in Spanish retail banking”. Its an empirical study using a sample of customers regarding the relationship between relational benefits and customer satisfaction. Their study shows that confidence benefits have a direct, positive effect on the satisfaction level of customers with their bank.

Manoj Kamar Joshi (2008) in his article entitled “Customer service in retail banking in India” discusses the various aspects of Indian bank’s retail banking. He finds that through the use of modern technology, they provide high standard quality customer service and this helps them to succeed in the competitive world of retail banking.

Al-Eisa and Alhemoud (2009) studied the most important attributes that influence customer satisfaction with retail banks in Kuwait. They also measured the level of overall satisfaction of the customers of the sample banks. They observe that the most important factors for predicting customer satisfaction with retail banks in Kuwait are fast service, availability of self-service banking services and courtesy and helpfulness of employees.

Bhaskaran (2010) in his article “Impact of financial crisis on banks in India” views that the impact of financial crisis has more on private sector banks. Non-performing assets have increased in all banking sectors. The increase in NPA preceded the financial crisis and coincided with the retail boom.

Aparna Mishra and Kamini Tandon (2011) who studied “Customer centric approach towards retail banking services” find that the important factor affecting customer satisfaction in retail banking is the service quality. The customer retention can be ensured only through the quality of services provided by the banks.

Aashish Shashikant Jani (2012) in his comparative study on the use of technology in retail banking among public and private sector banks argues that the channels of preferred by customers are because of cost and time utility. His suggestion is that in this era of information technology, the public sector banks have to introduce more technology based products and services to compete with other banks.

Ashok Kumar (2013) in his study “Opportunities and challenges in the Indian retail banking industry” concludes that the development of retail banking in India, a paradigm shift is required in bank financing through innovative products and mechanisms involving constant graduation of the banks, internal systems and processes. His statement is that retail banking has the scope of generating profit than any other traditional methods.

Gokilamani and Natarajan (2014) in their study point that customers of Indian commercial banks are positively responding to retail banking. It is important to enhance customer satisfaction.
for banks to focus on service quality for strengthening their competitive edge and to allocate the limited resources to serve the personal banking division. They further view that the success so far in retail banking will depend on product innovation, technological developments and strategy to retain their retail customers.

IV. RECENT TRENDS IN BANKING SECTOR

Today, we have fairly well developed banking system with different types of banks – public sector banks, private sector banks, foreign banks, co-operative banks and rural banks. The Reserve Bank of India (RBI) is at the supreme of all the banks. Diversification & Growth in banking sector has exceeded beyond limits all over the world. In 1991, Indian banking has been set up with the proposed relaxation in the norms for Foreign Direct Investment whereby the Government opened the doors for foreign banks to start their operations in India and provide their wide range of facilities, thereby providing a strong competition to the domestic banks, and helping the customers in availing the best of the services. The growing competition, growing expectations led to increased awareness amongst banks on the role & importance of technology in banking. Indian banking sector, today is in the midst of an IT revolution. The application of IT and e-banking is becoming the order of the day with the banking system heading towards virtual banking. Most of banks provide various services such as Mobile banking, SMS & Net banking and ATMs to their customers for their convenience. The use of technology has brought a revolution in the working style of the banks. Banking today has transformed into a technology intensive and customer friendly model with a focus on convenience. Some of the opportunities for Indian banks if products & services are paralleled with the recent advancements:

1) Electronic Payment Services like E-Cheques- Now-a-days we are hearing about e-governance, e-mail, commerce etc. In the same manner, a new technology is being developed in US for introduction of e-cheque, which will eventually replace the conventional paper cheque. In India, the Negotiable Instruments Act has already been amended to include: Truncated cheque and E-cheque instruments.

2) 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. Therefore, money can reach the beneficiary instantaneously and the beneficiary's bank has the responsibility to credit the beneficiary's account within two hours.

3) 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. RBI is the service provider of EFT.

4) 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 repetitious 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.

5) Automatic Teller Machine (ATM)- Automatic Teller Machine is the most popular device in India, which enables the customers to withdraw their money 24 hours a day 7 days a week. It is a device that allows the customer to whom has an ATM card to perform routine banking transactions without interacting with a human teller.

6) Point of Sale Terminal (POS)- 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.

7) 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.

V. RESEARCH METHODOLOGY

For the purpose of this study statistical data relating to performance of different categories of banks have been taken into consideration. Further simple statistical tools like mean has been used for comparative study on the performance of different categories of banks. For the said purpose the banks have been categorized into seven groups for our study, viz.:
5.2. STUDY PERIOD
The study covers secondary data for a recent period of 3 years, ranging from 2011-12 to 2013-14.

4.4. HYPOTHESIS
“Net Profit of different banking groups depends upon Interest Income, Other Income, Interest Expenses, Operating Expenses, Net NPA and spread.”

**TABLE 2. IMPORTANT FINANCIAL INDICATORS (2011–2014)**

<table>
<thead>
<tr>
<th>Bank Groups / Years</th>
<th>Net Profit %</th>
<th>Interest Income %</th>
<th>Other Income %</th>
<th>Interest Expenses %</th>
<th>Operating Expenses %</th>
<th>Net NPA %</th>
<th>Spread (NII) %</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
</tr>
<tr>
<td>(A) Scheduled Commercial Banks:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>2011-12</td>
<td>0.89</td>
<td>6.61</td>
<td>1.46</td>
<td>3.78</td>
<td>2.13</td>
<td>1.28</td>
<td>2.83</td>
</tr>
<tr>
<td>2012-13</td>
<td>0.88</td>
<td>6.65</td>
<td>1.27</td>
<td>3.85</td>
<td>2.13</td>
<td>1.07</td>
<td>2.81</td>
</tr>
<tr>
<td>2013-14</td>
<td>0.90</td>
<td>6.85</td>
<td>1.17</td>
<td>4.16</td>
<td>1.91</td>
<td>1</td>
<td>2.69</td>
</tr>
<tr>
<td>Mean</td>
<td>0.89</td>
<td>6.70</td>
<td>1.28</td>
<td>3.93</td>
<td>2.06</td>
<td>0.72</td>
<td>2.78</td>
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<td>(B) State Bank Group:</td>
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<tr>
<td>2011-12</td>
<td>0.91</td>
<td>7.02</td>
<td>1.51</td>
<td>3.96</td>
<td>2.14</td>
<td>1.53</td>
<td>3.06</td>
</tr>
<tr>
<td>2012-13</td>
<td>0.86</td>
<td>7.13</td>
<td>1.38</td>
<td>4.05</td>
<td>2.28</td>
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<td>3.07</td>
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<tr>
<td>2013-14</td>
<td>0.82</td>
<td>6.99</td>
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<td>4.2</td>
<td>1.98</td>
<td>0.96</td>
<td>2.79</td>
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<td>Mean</td>
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<td>7.05</td>
<td>1.29</td>
<td>4.07</td>
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<td>0.89</td>
<td>2.97</td>
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<td>(C) Private Sector Banks:</td>
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<td>2011-12</td>
<td>1.05</td>
<td>5.77</td>
<td>1.74</td>
<td>3.6</td>
<td>2.06</td>
<td>0.8</td>
<td>2.17</td>
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<td>2012-13</td>
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<td>3.62</td>
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<td>(D) Foreign Banks:</td>
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<td>6.48</td>
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<tr>
<td>Mean</td>
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<td>6.21</td>
<td>2.57</td>
<td>2.65</td>
<td>2.87</td>
<td>0.39</td>
<td>3.55</td>
</tr>
</tbody>
</table>

(Source: Trend and Progress of Banking in India and Balancesheets of respective banks.)

From the above table it is found that the performance i.e. Mean of State bank groups is more than that of Scheduled commercial banks except the net profit during the period of study. However on the whole it is found that the overall performance of Foreign Banks is better than all other banking groups in India during the period of study i.e. from 2011 to 2014.
A Study on Emerging Challenges & Opportunities for Indian Banking Sector

CHALLENGE AND OPPORTUNITIES FOR INDIAN BANKING SECTOR

The Indian banking sector continues to face some structural challenges. We have relatively large numbers of banks, some of which are sub-optimal in size and scale of operations. On the regulatory front, alignment with global developments in banking supervision and focus areas for both regulators and banks. The new international capital norms require high levels of sophistication in risk management, information systems, and technology, which would pose a challenge for many participants in the Indian banking sector. The deep and often painful process of restructuring in the Indian economy and Indian industry has resulted in asset quality issues for the banking sector; while significant progress is being made in this area, the strategy of work towards resolution of these legacy issues is still to be done. The Indian banking sector thus has an exciting point in its evolution.

The opportunities are immense to undertake innovative business and new markets, and to develop new ways of working, to improve efficiency, and to deliver higher levels of customer service. The process of change and restructuring must be undertaken to capitalize on these opportunities, possibly challenging for many banks. The Indian banking sector is faced with multiple concurrent challenges, such as increased competition, rising customer expectations, and diminishing customer loyalty. The banking industry is also changing at a phenomenally rapid pace. While at one end, we have millions of savers and investors who still don’t use a bank, another segment continues to bank with physical branch and at the other end, the spectrum of the customer is becoming familiar with ATMs, e-banking, and cashless economy. This shows the immense potential for market expansion.

The exponential growth of the industry comes from being able to handle vast wide range of this spectrum possible. With this complex and fast-changing environment, the only sustainable competitive advantage is to give the customer an optimum blend of technology and traditional service. As banks develop their strategies, the focus is on customer success in various advanced services like banking, mobile banking, and net banking. They should also regard this emerging platform as a potential catalyst for generating operational efficiencies and as a vehicle to recover new revenue sources.

Banking industry opportunities include:

a) Agrowing economy
b) Bank deregulation
c) Increased client borrowing
d) An increase in the number of banks
e) An increase in the money supply
f) Low government-settled rates and larger customer checking account balances.

d) 1- Developing country: Developing countries like India, have a huge number of people who don’t have access to banking services due to scattered and fragmented locations. But if wealth is to have an optimal combination of equity and debt, there will be a need to have a growing demand for competitive, sophisticated retail banking services. The consumer represents a market for a wide range of products and services—real estate, mortgage, finance, house, auto loan, credit card, and going purchases. An abank account; a long-term investment in plant finance and child's education; a pension plan for retirement; an life insurance policy; the possibilities are endless. And, this consumer does not just exist in India, it is present across cities, towns, and villages. As improving communications increase awareness, there is also a growing need for these services and products.

In general, the increasing demand for financial services and products is leading to many opportunities across the retail customer segments of the Indian banking sector. The bank is looking to offer an increasing number of products and services to its customers, including savings, loans, credit cards, and insurance. The increasing demand for financial services and products is leading to many opportunities across the retail customer segments of the Indian banking sector. The bank is looking to offer an increasing number of products and services to its customers, including savings, loans, credit cards, and insurance.

2- Indian Consumer

The biggest opportunity for the Indian banking system today is the Indian consumer. Demographic shifts in income levels and cultural norms influence the lifestyle aspirations and the choices of the Indian consumer. The Indian consumer is no longer satisfied with a lifestyle that is limited to basic needs. As the population becomes more urban, there is an increasing demand for financial services and products. The Indian consumer is looking for ways to meet these needs, including saving for the future, protecting their investments, and accessing credit.
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sophistication, flexibility, and complexity of products and services make the effective use of technology critical for managing the risks associated with the business. Developing or acquiring the right technology, deploying it optimally, and then leveraging it to its maximum extent is essential to achieve and maintain high service and efficiency standards while remaining cost-effective and delivering sustainable returns to shareholders. Early adopters of technology acquire significant competitive advantage. Managing technology, therefore, is a key challenge for the Indian banking sector. Widely disparities exist between various banks as far as technology capabilities are concerned; the sector as a whole needs to make significant progress in this front. Banks may have to offer mobile banking services for a cluster of villages. Alternatively, technological institutions have to come up with low-cost, self-service solutions/ATMs. The government and the RBI should actively support such research efforts. Here, it is worth mentioning that the adaptability of the Indian rural population to high-tech devices is one of the fastest in the world. A widespread dissemination of information technologies and products to the Indian banking industry by the research institutions could benefit the banking institutions. This cross-pollination of ideas would mutually enrich the banking and technology development processes. The Indian banks are subject to tremendous pressure to perform, or otherwise, their very survival would be at stake. The application of IT to the banking sector is becoming the order of the day with the banking system heading towards virtual banking.

4-Industrial Development

The developments in the Indian industry and government and the integration of India with the global markets also offer innumerable opportunities to the banking sector. Companies and governments are increasingly seeking high-quality banking services to improve their own operating efficiency. Companies seek to offer better customer service and maximize shareholder returns and governments seek to improve the quality of public services. The internationalization of India offers banks the opportunity to service cross-border needs of Indian companies and India-linked needs of multinationals.

5-Knowledge Society

Building knowledge-driven, learning organizations is important in the current scenario of rapidly evolving operating environments. Knowledge and data management are essential to keep the organization ahead of the curve. This is true for banking as it is for all other sectors. Banks must continuously seek to be aware of cutting edge practices in banking internationally and institutionally. This learning across the organization will prepare them for the future as Indian markets become more sophisticated and integrated into the global financial markets. Another critical area for the Indian banking sector is people. The ability to attract and retain talent is a key success factor for a people-oriented business like banking. Banks have to build organizations that are process-driven, innovative, stable, yet flexible, and responsive to change.

6-Intense Competition

The RBI and the Government of India keep the banking industry open for the participation of private sector banks and foreign banks. The foreign banks were also permitted to set up shop in India either as branches or as subsidiaries. Due to this lowered entry barriers, many new players have entered the market, such as private banks, foreign banks, non-banking finance companies, etc. The foreign banks and new private sector banks have spearheaded the tech revolution. For survival and growth in highly competitive environments, banks have to follow the prompt and efficient customer service, which calls for appropriate customer-centric policies and customer-friendly procedures.

7-Employees’ Retention

The banking industry has transformed rapidly in the last ten years, shifting from transactional and customer-service-oriented to an increasingly aggressive environment, where competition for revenue is on top priority. Long-time banking employees are becoming disenchanted with the industry and are often resistant to perform on new expectations. The diminishing employee morale results in decreased revenue. Due to the intrinsically close ties between staff and clients, losing those employees is completely unacceptable, and the value of customer relationships. The retail banking industry is concerned about employee retention from all levels: from tellers to executive to customer service representatives because competition is always moving into hire them away.

8-Financial Inclusion

Financial inclusion has become a necessity in today’s business environment. Whatever is produced by business households that have to be under the check from various perspectives like environmental concerns,
corporate governance, social and ethical issues. Apart from it, bridging the gap between rich and poor, the poor people of the country should be given proper attention to improve their economic condition. In India, RBI has initiated several measures to achieve greater financial inclusion, such as facilitating no-frills accounts and GCCs for small deposits and credit.

9-Rural Market
Banking in India is generally fairly mature in terms of supply, product range and reach. However, in rural India, banks face a challenge in reaching remote areas and ensuring adequate capital and offsite banks.

10-High Transaction Costs
A major concern before the banking industry is the high transaction cost of carrying non-performing assets. The growth has led to strain in the operational efficiency of banks and the accumulation of non-performing assets (NPA’s) in their loan portfolios.

11-Social and Ethical Aspects
There are some banks which proactively undertake their responsibility to bear the social and ethical aspects of banking. This is a challenge for commercial banks as they consider these aspects in their working. Apart from profit maximization, commercial banks are supposed to support those organizations which have some social concerns.

12-Timely Technological Upgradation
Already electronic transfers, clearings, settlements have a reduced translation times. To face competition, it is necessary for banks to absorb the technology and upgrade their services.

13-Global Banking
The impact of globalization becomes challenges for the domestic enterprises as they are bound to compete with global players. If we look at the Indian Banking Industry, then we find that there are 36 foreign banks operating in India, which becomes a major challenge for Nationalized and private sector banks.

VI. CONCLUSION

The pre and post liberalization era has witnessed various environmental changes which directly affects the aforesaid phenomena. It is evident that post liberalization era has spread new colors of growth in India, but simultaneously it has also posed some challenges. This article discusses the various challenges and opportunities like High transaction costs, IT revolution, timely technological upgradation, intense competition, privacy and safety, global banking, financial inclusion. Banks are striving to combat the competition. The competition from global banks and technological innovation has compelled the banks to rethink their policies and strategies. Different products provided by foreign banks to Indian customers have forced the Indian banks to diversify and upgrade themselves so as to compete and survive in the market.

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