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A STUDY ON RECENT DEVELOPMENTS IN BANKING SECTOR OF INDIA

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Abstract

The banking sector plays a vital role in the development of one country's economy. The growth of banking sector depends upon the services provided by them to the customers in various aspects. The growing trend of banking services is found significant after the new economic reforms in India. Today, India has a fairly well developed banking system with different classes of banks – public sector banks, foreign banks, private sector banks – both old and new generation, regional rural banks and co-operative banks with the Reserve Bank of India as the fountain Head of the system. Nowadays banking sector acts as a backbone of Indian economy which reflects as a supporter during the period of boom and recession. From 1991 various trends and developments in banking sector are credited. It also reflects the various reforms were caused to improve their services to satisfy the customers. Key Words: Banking sector, recent trends and developments etc.

Introduction

Banks receive deposits from public and conjointly borrow cash from other sources for increasing working capital funds. They have to pay cost by way of interest on the funds raised. The symptoms of the banking activities are found from Vedic era to till date. Indian banking sector has undergone rapidly major changes during the period. These changes not only functioning of the banks but it also impacted highly on the efficiency, effectiveness and the productivity of all the Indian banks.

Banking sector is treated as to be the back bone of the economy. A bank is a financial institution that provides banking and different money services to their customers. A banking system conjointly referred as a system provided by the bank which offer cash management services for customers, reporting the transactions of their accounts and portfolios, throughout the day. Following functions of the bank justify the necessity of the bank:

1. To regulate the provision of cash and credit.

2. To supply the protection to the savings of shoppers.

3. To determine equal norms and conditions to all or any styles of customers.

History of banking industry

a) History of Banking has been divided into Stages like:

- Pre-independence stage
- Post Independence stage
- Nationalization of Banks
- Introduction of monetary Sector Reforms
- IT revolution in Banks

b) There are 3 oldest Banks in India namely Bank of Bengal, Bank of Bombay and Bank of Madras. These banks were known as Presidency Banks. They integrated in 1925 to create the Imperial Bank of India, which after independence became banking concern of India. Reserve bank of India came into existence in 1935 that took the responsibility of regulating Banking sector as financial institutions in India. The Indian banking sector is distinctive from the rest of the world's banking industry owing to the distinctive geographic, social and economic characteristics of the country.

India had 20 banks among the highest 1000 banks.

Table 1: The table below depicts the evolution of the banks

Sr. No	Name of Bank	Starting Year
1	General Bank of India	1786
2	Bank of Bombay	1840
3	Bank of Madras	1843
4	Allahabad Bank	1865
5	Punjab National Bank	1894
6	Bank of India, Central Bank of India, Bank of Baroda, Indian Bank, Bank of Mysore	1906 to 1913
7	Reserve Bank of India	1935

Present Banking structure in India

Banking institutions which are integrated in the 2nd phase of the RBI are called schedule banks. These banks are categorized into two types of banks, which are known as Scheduled Co-operative banks and Scheduled Commercial banks. There are 13 types of banks available in India which can be named as under:

- Central banks
- Investment banks
- Merchant banks
- Savings banks
- Offshore banks
- Commercial banks
- Retail banks
- Universal banks
- Public sector banks
- Private sector banks
- Foreign banks
- Co-operative banks
- Development bank

Objectives of the study

1. To study the current status of banking sector in India `
2. To assess the recent developments in Indian banking industry

Importance of the Study

Before the establishment of banks, the monetary activities were exercised by cash lenders and landlords, goldsmiths etc. They were working as per their own terms and conditions and charging very high rates of interest. While the organized banking sector works within the economic system subject to control of monetary authorities. They supply loans, settle for deposits and supply alternative services to their customers.

Now its necessary to trace out what important changes took place in the banking system and how they have transformed the system. The present study aims at diagnosing the changes what have been experienced by the common people in India.

Research Methodology

Research methodology is about the consistent study of the data collected for research. This paper is an outcome of a secondary knowledge on Indian banking sector with special relevance toIndian context. To complete this paper the researcher has focused on varied journals, books, papers and periodicals and web looking out has additionally been done. The analysis methodology not solely talks regarding the analysis ways however additionally think about the logic behind the tactic utilized in the context of the detailed study.

Nationalization of Banks in India

Nationalized banks dominate the banking industry in India. The history of nationalised banks in India dates back to mid-20th century, when the Imperial Bank of India was nationalised (under the SBI Act of 1955) and re-christened as state bank of India (SBI) in the month of july, 1955. Then on July 19, 1960, its seven subsidiaries were additionally nationalised with deposits over two hundred crores. These subsidiaries of SBI were state bank of Bikaner and Jaipur (SBBJ),state bank of Hyderabad (SBH), state bank of Indore (SBIR),state bank of Mysore (SBM), state bank of Patiala (SBP), state bank of Saurashtra (SBS), and state bank of Travancore (SBT).

Despite the provisions, control and regulations of the Reserve Bank of India, banks in India except the State Bank of India (SBI), remain owned and operated by private persons. By the 1960s, the Indian banking industry had become an important tool to facilitate the development of the Indian economy. At the same time, it had emerged as a large employer, and a debate had ensued about the nationalisation of the banking industry. Indira Gandhi, the then Prime Minister of India, expressed the intention of the Government of India in the annual conference of the All India Congress Meeting in a paper entitled *Stray thoughts on Bank Nationalization.*

Thereafter, the Government of India issued the Banking Companies (Acquisition and Transfer of Undertakings) Ordinance, 1969 and nationalized the 14 largest commercial banks with effect from the midnight of 19 July 1969. These banks contained 85 percent of bank deposits in the country. Within two weeks of the issue of the ordinance, the Parliament passed the Banking Companies (Acquisition and Transfer of Undertaking) Bill, and it received presidential approval on 9 August 1969.

The following banks were nationalized in 1969:

- Allahabad Bank
- Bank of Baroda
- Bank of India
- Bank of Maharashtra
- Central Bank of India
- Canara Bank

- Dena Bank
- Indian Bank
- Indian Overseas Bank
- Punjab National Bank
- Syndicate Bank
- UCO Bank
- Union Bank
- United Bank of India

A second round of nationalizations of six more commercial banks followed in 1980. The stated reason for the nationalization was to give the government more control of credit delivery. With the second round of nationalizations, the Government of India controlled around 91% of the banking business of India.

The following banks were nationalized in 1980:

- Punjab and Sind Bank
- Vijaya Bank
- Oriental Bank of India
- Corporate Bank
- Andhra Bank
- New Bank of India

Later on, in the year 1993, the government merged New Bank of India with Punjab National Bank. It was the only merger between nationalized banks and resulted in the reduction of the number of nationalized banks from 20 to 19. Until the 1990s, the nationalized banks grew at a pace of around 4%, closer to the average growth rate of the Indian economy. In the month of March, 2019 itself, because of low performance and duplication of banking services at many places, two nationalized banks namely Dena Bank and Vijya Bank have been merged with Bank of Baroda.

Recent Technological Developments in Indian Banks

In recent years, the banking company has endeavored to boost the potency of the economic system by making certain the presence of a secure and effective payment and settlement system. within the method, except playacting restrictive associated oversight functions the banking company has conjointly played a crucial role in promoting the system's practicality and modernization on an on going basis.

The consolidation of the prevailing payment systems revolves around strengthening processed cheque clearing, and increasing the reach of Electronic Clearing Services (ECS) and Electronic Funds Transfer (EFT).

The vital components of the biological process strategy are the gap of latest clearing homes, interconnection of clearing homes through the Indian money Network (INFINET) and therefore the development of a Real- Time Gross Settlement (RTGS) System, a Centralized Funds Management System (CFMS) & a Negotiated Dealing System (NDS) and the Structured financial messaging System (SFMS).

Similarly, integration of the assorted payment merchandise with the systems of individual banks has been another thrust space.

ATM:

An automated teller machine (ATM) or automatic banking machine (ABM) could be a processed telecommunications device that has the purchasers of a financial organization with access to money transactions in a very public house while not the necessity for a cashier, human clerk or bank teller.

On most up-to-date ATMs, the client is known by inserting a plastic ATM card with a tape or a plastic open-end credit with a chip that contains a novel card range and a few security info like associate expiration date or CVVC (CVV). Authentication is provided by the client coming into a private positive identification (PIN). Using associate ATM, customers will access their bank accounts so as to create money withdrawals (or mastercard money advances) and check their account balances furthermore as purchase cellular phone postpaid credit. If the currency being withdrawn from the ATM is completely different from that that the checking account is denominated in (e.g.: retreating Japanese Yen from a checking account containing U.S.A. Dollars), the money are born-again at a wholesale charge per unit. Thus, ATMs typically give the simplest attainable charge per unit for foreign travelers and are heavily used for this purpose furthermore.

ATMs are well-known by varied alternative names together with machine-driven group action Machine, machine-driven banking machine, money purpose (in Britain), cash machine, bank machine, automatic teller, place, Bancomat (in varied countries in Europe and Russia), Multibank (after a registered trade mark, in Portugal), and Any Time cash (in India).

Debit Card:

A open-end credit (also called a credit card or check card) could be a plastic card that has an alternate payment technique to money once creating purchases. Functionally, it is known as associate electronic cheque, because the funds are withdrawn directly from either the checking account or from the remaining balance on the cardboard. In some cases, the cards are designed solely to be used on the web, and then there's no physical card.

The use of debit cards has become widespread in several countries and has overtaken the cheque and in some instances money transactions by volume. Like credit cards, debit cards are used wide for phone and net purchases, and in contrast to credit cards the funds are transferred from the bearer’s checking account rather than having the bearer to pay back on a later date.Debit cards may additionally leave instant withdrawal of money, acting because the ATM card for retreating money and as a cheque guarantee card. Merchants may additionally provide “cash back”/”cash out” facilities to customers, wherever a client will withdraw money together with their purchase.

Credit Card

A mastercard is a component of a system of payments named once the little plastic card issued to users of the system. it's a card entitling its holder to shop for merchandise and services supported the holder’s promise to get these merchandise and services.

The establishment of the cardboard grants a line of credit to the patron (or the user) from that the user will borrow cash for payment to a merchandiser or as a advance to the user. Usage of the term “credit card” to imply a mastercard account could be a word.

A mastercard is completely different from a credit card, wherever a credit card needs the balance to be paid fully monthly. In distinction, credit cards permit the shoppers to 'revolve' their balance, at the price of getting interest charged. Most credit cards are issued by native banks or credit unions, and are the form and size specific by the ISO/IEC 7810 customary as ID-1. this is often outlined as eighty five.60 x 53.98 millimetre in size.

Equated Monthly Installment/Equal Monthly Installment (EMI):

A fixed payment quantity created by a recipient to a investor at a specific date every period of time. Equated monthly installments are wont to pay off each interest and principal monthly, so over a specific range of years, the loan is paid off fully.

With most typical kinds of loans, like property mortgages, the recipient makes mounted periodic payments to the investor over the course of many years with the goal of retiring the loan. EMIs disagree from variable payment plans, during which the recipient is in a position to pay higher payment amounts at his or her discretion. In EMI plans, borrowers are typically solely allowed one mounted payment quantity monthly.

Electronic Funds Transfer (EFT):

Electronic Funds Transfer refers to the computer-based systems which perform money transactions electronically. A method permitting the investor or the recipient to transfer payments electronically between bank accounts or to a investor.

The term is employed for variety of various concepts:

I. Cardholder-initiated transactions, wherever a cardholder makes use of a payment card

II. Direct deposit payroll payments for a business to its staff, presumably via a payroll services company

III. Direct debit payments from client to business, wherever the group action is initiated by the business with client permission

IV. Electronic bill payment in on-line banking, which can be delivered by triton or paper check Transactions involving keep worth of electronic cash, presumably in a very personal currency

V. Wire transfer via a global banking network (generally carries the next fee)

VI. Electronic profit Transfer

Electronic Clearing Services (ECS):

It is a mode of electronic funds transfer from one checking account to a different checking account using the services of a financial organisation. this is often ordinarily for bulk transfers from one account to several accounts or vice-versa. this may be used each for creating payments like distribution of dividend, interest, salary, pension, etc. by establishments or for assortment of amounts for functions like payments to utility firms like phone, electricity, or charges like house tax, water tax, etc or for loan installments of economic institutions/banks or regular investments of persons.

There are 2 kinds of ECS known as ECS (Credit) and ECS (Debit).

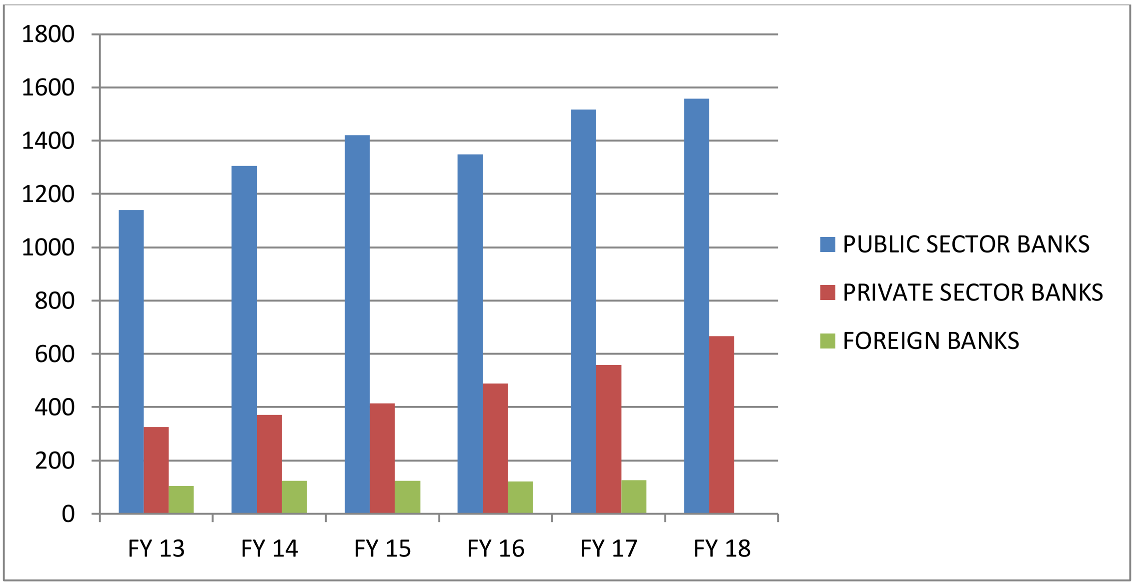
1. ECS (Credit) is employed for affording credit to an oversized range of beneficiaries by raising one debit to associate account, like dividend, interest or earnings payment.

2. ECS (Debit) is employed for raising debits to variety of accounts of consumers/ account holders for crediting a selected establishment.

Growth wise development in banks during recent years.

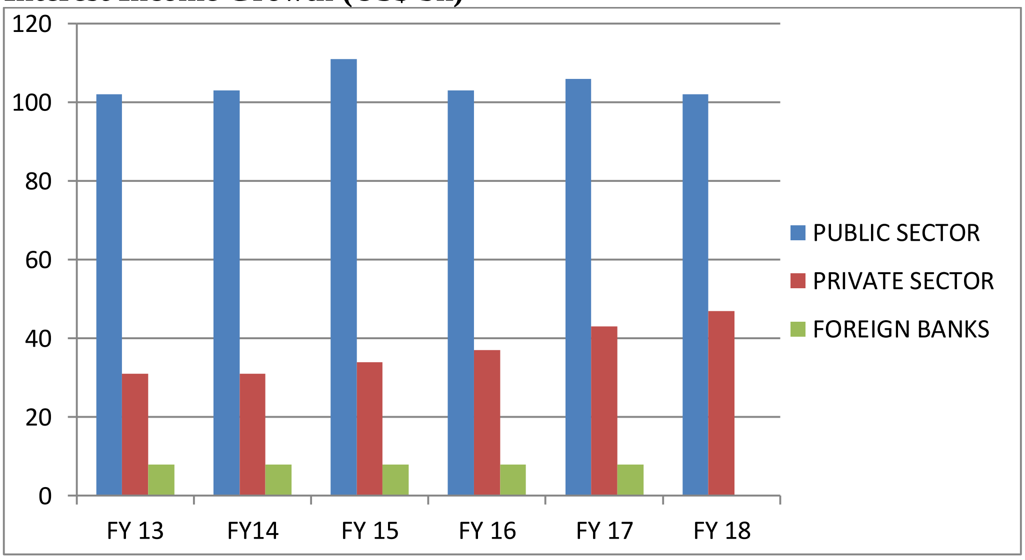
1. **TOTAL BANKING SECTOR ASSETS AFFECTING MARKET SIZE**

Amounts in (US$Bn)



Trend Point: Private sector expanded at an CAGR of 12.68 per cent during FY13–18, while foreign banks posted a growth of 4.69 per cent during FY13–17.

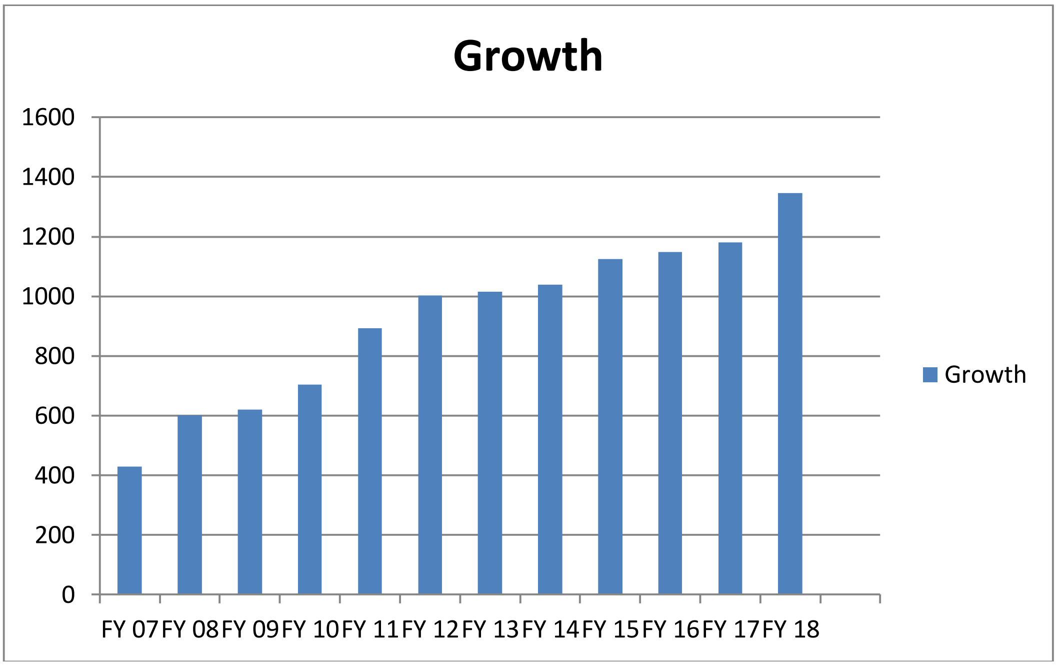
2. **Interest Income Growth (US$ bn)**



Figures given for the breakup are exclusive of 1,562 Urban Cooperative Banks and 94,384 Rural Cooperative Banks operational in India.

3. **Growth in Credit Off-take**
CAGR 10.94% (till the year 2018)

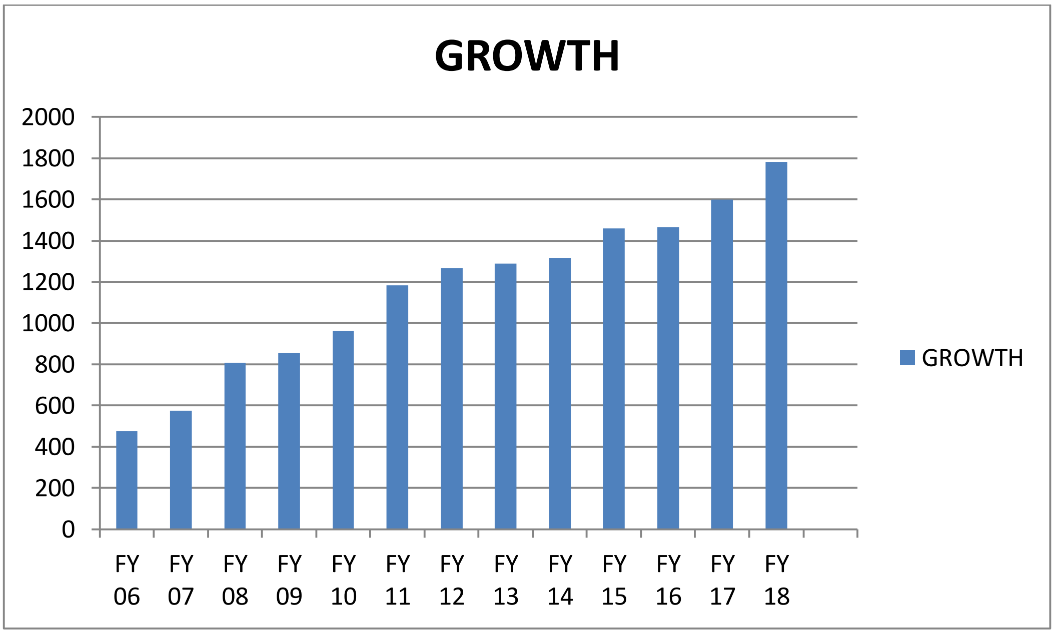
Amounts in (US$Bn)



4. Growth In Deposits

CAGR 11.66% (till the year 2018)

Amounts in (US$Bn)



Conclusion

Today the banking sector in India is fairly mature in terms of offer, product range and reach. The globe economy witnessed that an oversized range of banks are failing. During this government of India played a significant role through implementation of the recommendations created by numerous committees. The role of banks isn't solely directly important, however additionally it's terribly requisite within the precise conduct of the programs projected by government. in order that it's going to revolutionize within the provision of loans from time to time. A growing economy like India needs a right mix of working capital associate degreed future resources for company to decide on an acceptable mixture of debt and equity. once researching banking sector research worker found that completely different issues are increasing to banking sector.

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