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## INDIAN BANKING SECTOR

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### ABSTRACT

The banking industry in India has a long history of canvases, ranging from the British era to the Reformation, nationalization to the privatization of banks and now the growing number of foreign banks in India. So banking in India is a long journey. The banking industry in India has also reached new heights with the changing times. The use of technology has revolutionized the way banks operate. Even so, owning one is still beyond the reach of the average person. Most banks still manage to win the trust of shareholders as well as other stakeholders. However, the changing pace of banking business is exposing new types of risk.



**KEYWORDS :** Anaerobic power, athletes and BMI.

### INTRODUCTION

Banking has a major role to play in raising money for borrowers with productive investment opportunities, which is critical to the smooth running of the financial system and economy. As a result of the variety of banks that exist today, it is difficult, or at least difficult, to create a definition of banking that reflects the different functions of all types of banks. Some definitions can be made here:

- **Meaning of Banking - 1:** A person or a company subject to the obligation to accept honorarium of checks drawn from customers from time to time is engaged in the business of making money and collecting drafts on which customers are available. Current accounts
- **Meaning of Banking - 2:** In the twentieth century dictionary of the Chamber, a bank is defined as "an institution for depositing, lending and exchanging money".
- **The meaning of banking - 3:** According to Crothers, "the business of a bank is to take the credit of other people to offer in return for themselves and to make money through it." A similar definition is given by Kent in the context of the meaning of banking, which is "an institution whose implementation deals with the accumulation of temporary lazy money by the general public with the intention of passing it on to others for expenses"
- **Meaning of Banking - 4:** On the other hand, the site gives an even more detailed definition of a bank: the general banking business consists of exchanging cash for bank deposits and bank deposits for cash; Classification of bank deposits from one person or corporation to another (a 'depositor'); Bank deposits in lieu of bills for exchange of secured or unsecured promises of exchange, government bonds, business deposits.

**CONCEPT OF BANKING:**

Some people go to the bank in search of a safe place to keep their money. Some are trying to get money to buy a house or a car, start a business, grow a farm, pay for college, or do other things that cost money to get a loan. Where do you get money to lend to banks? They come from people who open and maintain accounts. Banks act as a go-to for savers and those who want to borrow. If the savers did not keep their money in the banks, there would be little or no money to lend to the banks. Your savings together with the savings of others make a lot of money and the bank uses that money to make loans. This money does not belong to the chairman, board of directors or stockholders of the bank. It belongs to you and other depositors. That is why banks have a special responsibility not to take big risks when taking loans.

**GENERAL BANKING SCENARIO IN INDIA:**

The general banking situation in India is very fast these days. Prior to the pre-liberalization period, the picture of Indian banking was completely different as the Government of India introduced measures to play an active role in the economic life of the nation and the Industrial Policy Resolution adopted by the Government in 1948 envisioned a mixed economy. As a result, the state was more involved in various sectors of the economy, including banking and finance. The Reserve Bank of India was nationalized on January 1, 1949 under the terms of the Reserve Bank of India (Transfer of Public Ownership) Act, 1948. In 1949, the Banking Regulation Act was enacted which empowered the Reserve Bank of India (RBI). "Regulating, controlling and inspecting banks in India." The Banking Regulation Act stipulates that no new bank or branch of an existing bank may be opened without an RBI license and no two banks may have the same director.

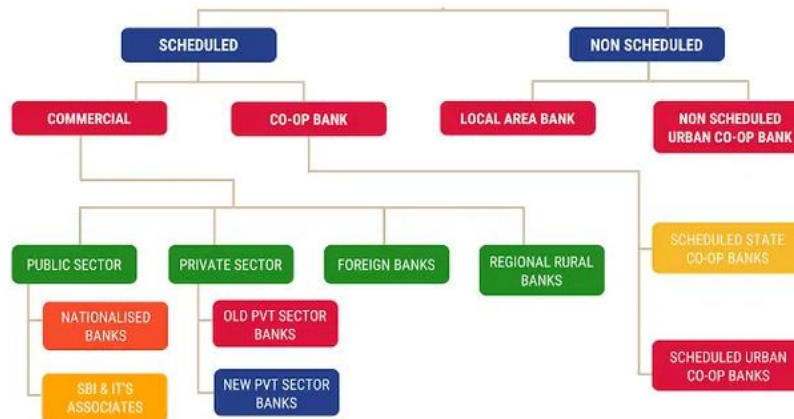
By the 1960s, the Indian banking industry had become an important tool for accelerating the growth of the Indian economy. The Government of India issued an ordinance and nationalized the 14 largest commercial banks from midnight on 19 July 1969. The 1980s saw the second dose of nationalization of six more commercial banks. The reasons given for nationalization were given to the government. More control over credit distribution. With the second dose of nationalization, the Indian government controlled about 91% of India's banking business. Further, in 1993, the government merged New Bank of India with Punjab National Bank. This was the only merger among the nationalized banks and as a result the number of nationalized banks was reduced from 20 to 19. After that, until 1990, the nationalized banks grew at an average growth rate of about 4% for the Indian economy.

The new policy completely shook the banking sector in India. By this time the bankers were accustomed to the 4-6-4 procedure. The new wave introduced modern approaches and technology-savvy methods of working for traditional banks. Due to all this, retail boom in India. People not only demanded more from their banks but also got more money than that.

Structure of Indian Banking Sector:

The structure of the Indian banking system developed during the pre-independence period was controlled and directed without any purpose. With the exception of the Bank Charter Act 1876, there were no comprehensive banking laws regulating the three major banks and the Companies Act of India 1931. Some security guards became available after the bank failed.

Figure 1.1 Structure of Indian Banking Sector



### CHALLENGES FACES BY INDIAN BANKING SECTOR:

The Indian economy has undergone significant widening and deepening in recent years. Due to the growing role of the banking sector in the Indian economy, the rising rate of inflation and the increasing level of competition, there are numerous demands on our banks. The consequences of malpractice in the banking system may be more serious than in the past. Therefore, the RBI, the regulator and supervisor of the Indian banking system, focuses on ensuring greater financial stability. Here are some of the different risks and challenges facing the banking system while working in this excellent environment:

- **Improving the risk management system:** The Reserve Bank had issued guidelines on asset liability management and risk management system in banks in 1999, 1999 and credit risk management and market risk management in October 2002 and operational risk management in 2005. However, Basel II has focused on implementation risks. Seen as the end in itself. The current business environment demands an integrated approach to risk management. It is no longer enough to manage each risk separately. Banks in India are moving from a separate division system to an enterprise wide risk management system. This has increased the demand for risk management skills and capacity building in banks, but if there is a risk of consolidation in the whole bank, the first priority is to focus on risk consolidation in the whole group. Over the next few years, banks will need to allocate significant resources for this purpose.
- **Rural coverage:** Indian local banks, especially rural banks and many branches in rural areas have good banking groups. But it lacks technical improvements. The services available in cities are not available especially to rural branches, which is a must if banks want to compete during the day.
- **Technical issues:** It is true that Indian banks have started computer work and upgraded many other technologies but is this enough? The comparative technology is better in Indian local banks in metro cities but it is not supported and compared by the entire network of other city and rural branches.
- **Corporate Governance:** Banks not only accept and deploy large amounts of unregulated public funds for the sake of credibility, but also take advantage of such funds through the creation of those credits. Banks are also important for smooth functioning of payment system. Profit may not be the only criterion for making business decisions. This is a significant challenge for banks that do not have a balanced balance of priorities and incentives through the implementation of concrete principles of corporate governance. If internal imbalances are not quickly rebalanced, repairs can be developed by external forces and can be painful and costly for all stakeholders. Therefore, our focus should be on enhancing and strengthening the principles of sound corporate governance.
- **Customer service:** There is concern about this type of banking system, which tends to exclude a wide segment of the population from certain pensions, self-employment and jobs in the

unorganized sector. Banks must provide banking services to all segments of the population on an equal basis. Moreover, the interests of consumers are sometimes not fully protected and their grievances are not properly addressed by the banks. Banks are expected to promote greater financial inclusion in the country by setting up mechanisms to ensure fair treatment of customers; And effective redressal of customer grievances.

### CURRENT SCENARIO OF INDIAN BANKING SECTOR:

The Indian banking system consists of 12 public sector banks, 22 private sector banks, 46 foreign banks, 56 regional rural banks, 1485 civic co-operative banks and 96,000 rural co-operative banks besides co-operative credit societies. 47.5% of them are in rural and semi-urban areas. During FY18-FY21, bank assets in all sectors increased. Total assets in the banking sector (including public and private sector banks) increased to US \$ 2.48 trillion in FY21. In FY21, total assets in the public and private banking sectors were US \$ 1,602.65 billion and US \$ 878.56 billion, respectively. During FY16-FY21, bank credit increased by a CAGR of 0.29%. As of FY21, total debt expanded to US \$ 1,487.60 billion. During FY16-FY21, deposits increased by a CAGR of 12.38% and reached US \$ 2.06 trillion by FY21. Bank deposits of Rs. 162.41 trillion (US \$ 2.17 trillion) as of 31 December 2021. According to India Ratings and Research (IND-RA), credit growth is expected to reach 10% in 2022-23 which will be double digit growth in eight years. According to the RBI, bank credit is Rs. 116.8 trillion (US \$ 1.56 trillion) as on 31st December 2021. By February 2022, loans for non-food industries will be Rs. 114.10 trillion (US \$ 1.53 trillion).

### INVESTMENT:

- By February 21, 2022, the number of bank accounts opened under the Prime Minister's Jan Dhan Yojana (PMJDY) under the government's flagship financial inclusion drive has reached 44.63 crore and a total of Rs. 1.58 trillion (US \$ 21.25 billion).
- On November 09, 2021, the RBI announced the first global hackathon 'Harbinger 2021 - Innovation for Transformation' with the theme 'Smarter Digital Payments'.
- In November 2021, Kotak Mahindra Bank announced that it had raised its 9.98% stake in KFin Technologies to Rs. Editing in has been completed. 310 crores (US \$ 41.62 million).
- In July 2021, Google Pay for Business enabled small merchants to access credit by tying-up with a digital loan platform for MSMEs - FlexiLoans.
- In December 2020, in response to the RBI's warning message, the Digital Lenders Association issued a revised Code of Conduct for Digital Loans.
- On November 6, 2020, WhatsApp launched the UPI Payment Service in India after the National Payments Corporation of India (NPCI) approved the 'Go Live' hierarchy on UPI.
- In October 2020, HDFC Bank and Apollo Hospitals partnered to launch the 'Healthlife Program', a holistic healthcare solution that makes healthy living easier and more affordable on Apollo's digital platform.
- In 2019, banking and financial services accounted for 32 M&A (mergers and acquisitions) activities worth US \$ 1.72 billion.
- In March 2020, State Bank of India (SBI), India's largest lender, raised US \$ 100 million in green bonds through a private placement.
- In February 2020, the Cabinet Committee on Economic Affairs approved to continue the process of recapitalization of Regional Rural Banks (RRBs) by providing minimum regulatory capital to RRBs after 2019-20 - 2020-21 - 2020-21. As per the regulatory rules prescribed by RBI, minimum capital to risk weighted asset ratio (CRAR) is unable to maintain 9%.

**Table 1.1 Best Public Sector Banks in India (2022)**

List of PSU Banks	Number of Branches
State Bank of India (SBI)	24000
Punjab National Bank (With Merger of Oriental Bank of Commerce and United Bank of India)	11437
Bank of Baroda (With Merger of Dena Bank & Vijaya Bank)	8581
Canara Bank (With Merger of Syndicate Bank)	10391
Union Bank of India (With Merger of Andhra Bank and Corporation Bank)	9500
Bank of India	5825
Indian Bank (With Merger of Allahabad Bank)	6000+
Central Bank of India	2876
Indian Overseas Bank	2995
UCO Bank	2377
Bank of Maharashtra	1860
Punjab & Sindh Bank	1045

Source: RBI

**Table 1.2 Number of Best Private Sector Banks in India**

List of Private Banks	Number of Branches
Axis Bank	4094
Bandhan Bank	1000
Catholic Syrian Bank	426
City Union Bank	600
DCB Bank	323
Dhanlaxmi Bank	269
Federal Bank	1252
HDFC Bank	4787
ICICI Bank	4882
IDBI Bank	1892
IDFC First Bank	301
IndusInd Bank	1004
Jammu & Kashmir Bank	958
Karnataka Bank	835
Karur Vysya Bank	668
Kotak Mahindra Bank	1369
Lakshmi Vilas Bank	570
Nainital Bank	135
RBL Bank	342
South Indian Bank	852
Tamilnad Mercantile Bank Limited	509
Yes Bank	1050

**CONCLUSION:**

Growth in the banking sector is expected to be further boosted by rising infrastructure costs, faster implementation of projects and continuity of reforms. All these factors indicate that India's banking sector is poised for strong growth as fast-growing businesses will turn to banks for their credit needs. Also, advances in technology have led to the emergence of mobile and internet banking services. The banking sector is focusing more on providing improved services to its customers and enhancing the

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overall customer experience as well as improving their technology infrastructure to give banks a competitive edge.

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