

**A STUDY ON RECENT CHANGING SCENARIO IN INDIAN BANKING SECTOR**

Devanathan J

MBA, Department of Management Studies  
Bharath Institute of Science and Technology,  
Selaiyur, Chennai, Tamil Nadu 600 073  
Bharath Institute of Higher Education and Research

**ABSTRACT**

The Banking system of India should not only hassle free but it should able to meet new technology and any other external and internal factors. Without sound and effective banking system in India it cannot have healthy economy. The reserve bank of India also imposed some restrictions on new banks with respect to opening branches, with a view to maintain the economy growth of nations. The enhanced regulatory oversight would help the system by elimination of excesses, create a cleaner framework for asset quality recognition, substantially improve corporate governance standards and inculcate financial discipline in borrowers. The Indian government has carried out important market-oriented reforms. We've just released our annual Doing Business report, which measures ease of doing business. For the third year in a row, India is in the top ten in terms of improvements. During that period, it has jumped from 142nd in the Doing Business rankings to 63rd. Percent the new report, it's easier than it was a year ago to a new business, get a construction permit and trade goods across the border. India's economy is facing challenges, with consumption softening and investment slowing. Globally, bond yields have fallen into low or negative territory for several top bond issuers, benefiting an increasingly narrow group but leaving the productive investments needed for broad-based growth under-funded, including in India.

**Key words:** Indian banking sector, Economic development of Indian banking sector, Future analysis of industry growth of Indian banking sector, Indian banking analysis, etc.,

**1. INTRODUCTION**

The recent data on deposits and credit of scheduled commercial banks published by the Reserve Bank of India provide valuable insights into the distribution of banking business across the country. The concentration of bank branches in a few urban and metro centres is by no means a new development. With considerations of profitability dictating the strategic plans, branch expansion, especially to rural areas, was no longer a priority. Instead, banks tended to converge on centres that had business potential.

According to the RBI, the top hundred centres, arranged according to the size of deposits, accounted for 69.2 per cent of the total deposits, while the top hundred ranked according to the size of credit accounted for 78.5 per cent of total bank credit as on March 31 this year. Technology has been harnessed in a variety of ways to take on competition and, more importantly, to reduce

transaction costs. It has enabled the opening of new delivery channels such as internet banking and mobile banking. But its role in extending financial services across the country has not been fully appreciated. Quite obviously the goal of inclusive banking has to be achieved in a context where the traditional model of branch banking cannot be entirely relied upon. Technological applications are already enabling business correspondents and others to deliver many types of services now offered by a bank. These bank branches might be called upon to undertake newer services, including those having a development dimension such as delivery of subsidies and conditional cash transfers.

Economic Growth, Regulatory Relief, and Consumer Protection Act, amending certain provisions in the Dodd-Frank Act was signed into law. Notably, the statutory systemically important financial institutions (SIFIs) asset thresholds for enhanced prudential regulations, such as stress tests and capital and liquidity ratios, were increased, giving the most relief to banks with assets between \$50 billion and \$100 billion.

## **2. REVIEW OF LITERATURE**

**JAVIER A. SÁNCHEZ-TORRES, FRANCISCO-JAVIER ARROYO CANADAET. ALL (2018)**, this study is to examine the adoption of e-banking in Colombia, including a comprehensive analysis of consumer trust in this type of transaction and of the impact of the current government policy to promote e-commerce. The proposed model was validated in that the factors hypothesized to build trust in the use of electronic banking were shown to be significant: trust, performance expectancy and effort expectancy had a positive impact on the use of financial websites in Colombia, while government support did not have a significant impact. This study is one of the first to present empirical findings on the acceptance of e-banking in Latin America; it further presents a model that integrates the most important variables needed for an analysis of the acceptance of e-banking.

**PAYAMHANAFIZADEH, AHADZARERAVASAN, (2017)**, The researchers aims to provide an in-depth analysis toward understanding the critical factors in affecting information technology outsourcing (ITO) decision in the context of e-banking. The results of this study derived from the theoretical discussion of hypotheses illustrated that 9 of 11 assumed factors (i.e. perceived tangible benefits, perceived intangible benefits, perceived risks, perceived information security/privacy, complete contract establishment capability, making strong trustworthy relationship capability, uncertainty in business requirements).

## **3. OBJECTIVES OF THE STUDY**

- To study growing influence of FinTech and non- banks seems an acceptance of economic growth
- To know economic reality across that trading life for digitalization of public sector banks.

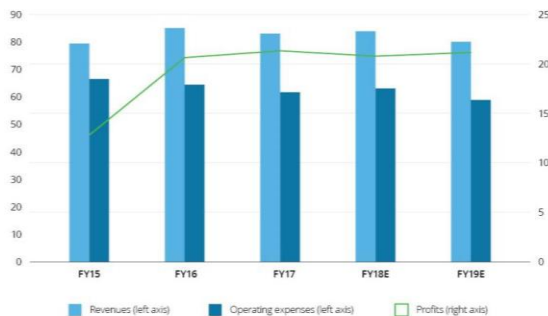
**4. RESEARCH METHODOLOGY**

The study is based on the Primary and secondary data. The primary data collected by 100 respondents in interview schedule method. The secondary data collected from recently published different journals, magazines, sites, research articles, periodicals, websites and published data from various issues of RBI and different Public/Private sector banks. Various studies on this subject available have also been referred in this study. The focus is to know more about the concept of economy growth strategies, its application, its effect and the impact on economy via other parameters. Therefore, qualitative and quantitative both data has been used to see the impact of digitalisation on the life of India people.

**DIGITIZATION AND A NEW CREDIT DISCIPLINE OF ECONOMY GROWTH**

Global corporate lending is on an upward trajectory, with the Americas region leading growth. Revenue from corporate lending grew by 19.5 percent in the Americas from 2015 to 2017. In contrast, corporate lending in the EMEA region declined by 0.8 percent. With American firms increasing their market share, EMEA corporate lending has stagnated as the pace of economic recovery remains uneven. The APAC region, meanwhile, saw corporate lending increase by 5.8 percent in revenues. As Asian markets expand, the competitive dynamics and opportunities within APAC’s corporate banking landscape have significantly increased it.

Competition for corporate loans is expected to intensify in 2019, along with further easing in credit underwriting standards in the first half of 2019. But given the higher likelihood of a downturn in the next several years, banks should adjust their risk appetite accordingly in 2019. To alleviate this risk, banks should strengthen their specialized lending expertise, which, if executed well, can result in a superior ability to screen, value collateral, structure loans to minimize potential losses, and manage the workout of problem loans. Smaller regional banks, especially, could stand to benefit from this focus.



**ECONOMIC DEVELOPMENT IN THE INDIAN BANKING SECTOR**  
**1. REMOVING THE DEFICIENCY OF CAPITAL FORMATION**

In any economy, economic development is not possible unless there is an adequate amount of capital formation. The serious capital deficiency in developing Countries is removed by banks. A sound banking system mobilizes small savings of the community and makes them available for investment in productive enterprises. Banks mobilise deposits by offering attractive rates of interest and thus convert savings into active capital. Otherwise that amount would have remained idle. Banks distribute these savings through loans among productive enterprises which are helpful in nation building. It facilitates the optimum utilization of the financial resources of the community.

## **2. HELPS IN GENERATING EMPLOYMENT OPPORTUNITY**

Banks helps in providing financial resources to industries and that helps in automatically generate employment opportunity. Especially employment generated by banking sector every year runs in millions. Equally revenue generation through tax and dividend collection by the government invested every year. While revenue and employment generation are two very important contributions, successfully maintaining healthy credit line to industrial sector as well as to overall economy is another important contribution of financial sector.

## **3. FINANCIAL ASSISTANCE TO INDUSTRIES**

The commercial banks finance the industrial sector in a number of ways. They provide short-term, medium-term and long-term loans to industry .The Industrial Development Bank of India is the main institution in India providing financial assistance to the industrial sector. It provides direct financial assistance to the industrial enterprises in the form of granting loans and advances, and purchasing or underwriting the issues of stocks, bonds or debentures. The creation of the Development Assistance Fund is the special of the IDBI. The Fund is used to provide assistance to those industries which are not able to obtain funds mainly because of heavy investment involved or low expected rate of returns. IDBI gives guidance to start a business. To facilitate an easy access to finance by Micro and Small Enterprises, the Government/RBI has launched Credit Guarantee Fund Scheme to provide guarantee cover for collateral free credit facilities extended to MSEs uptoRs 1 Crore . Moreover, Micro Units Development & Refinance Agency (MUDRA) Ltd. was also established to refinance all Micro-finance Institutions (MFIs), which are in the business of lending to micro / small business entities engaged in manufacturing, trading and services activities up to Rs 10 lakh.

## **4. PROMOTE SAVING HABITS OF THE PEOPLE**

Bank attracts depositors by introducing attractive deposit schemes and providing higher rates of interest. Banks providing different kinds of deposit schemes to its customers. It enables to create saving habits among people. Bank open different accounts to attract customer. These accounts are opened as per the requirements of customers such as current account, fixed deposit account, saving account and recurring account etc.

## **5. FINANCIAL ASSISTANCE TO CONSUMER ACTIVITIES**

People in underdeveloped countries being poor and having low incomes do not have sufficient financial resources to buy durable consumer goods. The commercial banks advance loans to consumers for the purchase of such items as houses, furniture, refrigerators, etc. In this way, they also help in raising the standard of living of the people in developing countries by providing loans for consumption activities.

## **6. HELPS IN IMPLEMENTING MONETARY POLICY**

The commercial banks help the economic development of a country by implementing the monetary policy of the RBI. RBI depends upon the commercial banks for the success of its policy of monetary management in keeping with requirements of a developing economy. Thus the commercial banks contribute much to the growth of a developing economy by granting loans to agriculture, trade and industry, by helping in capital formation and by following the monetary policy of the country

## **7. FINANCIAL FACILITIES FOR TRADE**

The commercial banks help in financing both internal and external trade. The banks provide loans to retailers and wholesalers to purchase goods in which they deal. They also help in the movement of goods from one place to another. Banks provide all types of facilities such as discounting and accepting bills of exchange, providing overdraft facilities, issuing drafts, etc. for promoting the trade. Moreover, they finance both exports and imports of developing countries by providing foreign exchange facilities to importers and exporters of goods. Exim Bank of India and the Government of Andhra Pradesh has signed a Memorandum of Understanding (MoU) to promote exports in the state.

## **8. FOREIGN CURRENCY LOANS**

Foreign currency loans are meant for setting up of new industrial projects. Banks also helps in providing loans for expansion, diversification, modernization or renovation of existing units. Banks also helps in financing import of equipment from abroad and/or technical know how.

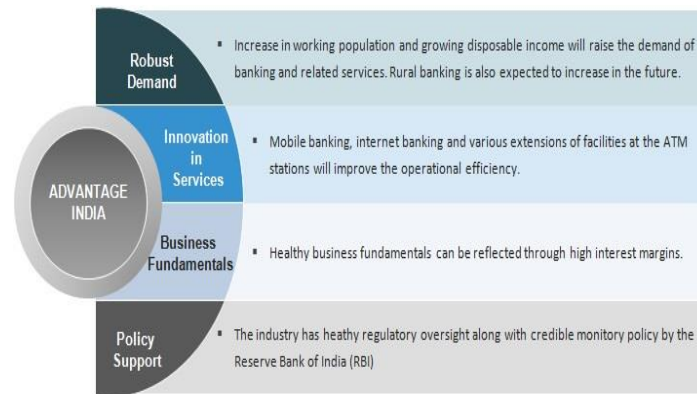
### **9. PROMOTION OF NEW ENTREPRENEURS**

Development banks in India have also achieved a success in creating a new class of entrepreneurs and spreading the industrial culture. Special capital and seed Capital schemes have been introduced to provide equity type of assistance to new and technically skilled entrepreneurs who lack financial resources of their own. Development banks have been actively involved in the entrepreneurship development programmes. Innovations are an essential prerequisite for economic development. These innovations are mostly financed by bank credit in the developed countries. But in underdeveloped countries, entrepreneurs hesitate to invest in new ventures and undertake innovations largely due to lack of funds and high chances of risk. Facilities of bank loans enable the entrepreneurs to step up their investment on innovational activities, adopt new methods of production and increase productive capacity of the economy.

### **10. BALANCED DEVELOPMENT**

Modern banks spreading its operations throughout the world. We can see number of big banks like citi bank, SBI, PNB, Baroda bank etc. It helps a country to spread banking activities in rural and semi urban areas. With the spreading of banking operations all over the country, helps to attain balanced regional development by promoting rural areas. The Reserve Bank of India (RBI) has granted in-principle licenses to 10 applicants to open small finance banks, which will help expanding access to financial services in rural and semi-urban areas. IDFC Bank has become the latest new bank to start operations with 23 branches, including 15 branches in rural areas of Madhya Pradesh. Modern bank plays important role in the economic development of the country. A developed banking system enables the country to attain balanced development without any special consideration of rich and poor, cities and rural areas etc. They transfer surplus capital from the developed regions to the less developed regions, where it is scarce and most needed. This reallocation of funds between different regions will promote economic.

**FUTURE ANALYSIS INDUSTRY GROWTH OF INDIAN BANKING SECTOR**



The Indian banking system consists of 20 public sector banks, 22 private sector banks, 44 foreign banks, 56 regional rural banks, 1,542 urban cooperative banks and 94,384 rural cooperative banks, in addition to cooperative credit institutions. As on March 31, 2019, the total number of ATMs in India increased to 2,21,703 and is further expected to increase to 407,000 by 2021.

As of FY19 (between April–September 2018) total credit extended by commercial banks surged to Rs 90.81 lakh crore (US\$ 1,299.39 billion) and deposits grew to Rs 120 lakh crore (US\$ 1,866.22 billion). Assets of public sector banks stood at Rs 108.82 crore (US\$ 1,557.04 billion) in FY18. As per Union Budget 2019-2020, Provision coverage ratio of banks reached highest in 7 years.

Indian banks are increasingly focusing on adopting integrated approach to risk management. The NPAs (Non-Performing Assets) of commercial banks has recorded a recovery of Rs 400,000 crore (US\$ 57.23 billion) in FY2019, which is highest in last four years. Banks have already embraced the international banking supervision accord of Basel II, and majority of the banks already meet capital requirements of Basel III, which has a deadline of March 31, 2019. As per Union Budget 2019-20, investment-driven growth requires access to low cost capital which an requires investments of Rs 20 lakh crore (US\$ 286.16 billion) every year.

Reserve Bank of India (RBI) has decided to set up Public Credit Registry (PCR) an extensive database of credit information which is accessible to all stakeholders. The Insolvency and

Bankruptcy Code (Amendment) Ordinance, 2017 Bill has been passed and is expected to strengthen the banking sector. In June 2019, RBI sets average base rate of 9.18 per cent for non-banking financial companies and micro finance institutions borrowers for quarter beginning of July.

Deposits under PradhanMantri Jan Dhan Yojana (PMJDY) increased to Rs 98,320 crore (US\$ 14.07 billion) and 355.4 million accounts were opened in India (as of May 29, 2019). In May 2018, the Government of India provided Rs 6 lakh crore (US\$ 93.1 billion) loans to 120 million beneficiaries under Mudra scheme. Under PradhanMantri Jan Dhan Yojana (PMJDY), more than Rs 1 lakh crore (US\$ 14.30 billion) have been deposited till July 2019. In May 2018, the total number of subscribers was 11 million, under Atal Pension Yojna.

Rising incomes are expected to enhance the need for banking services in rural areas and therefore drive the growth of the sector. As of September 2018, Department of Financial Services (DFS), Ministry of Finance and National Informatics Centre (NIC) launched Jan DhanDarshak as a part of financial inclusion initiative. It is a mobile app to help people locate financial services in India.

**DATA ANALYSIS AND INTERPRETATION**

**GROWTH INFLUENCES OF INDIAN BANKING SERVICES IN RELATION TO GENDER OF THE RESPONDENTS**

Customers of different gender group are using the E-banking services. In order to find out the significant difference betweenGrowth influence of indianbanking services among the different gender group ‘t’ test is attempted with the null hypothesis as,

**“There is no significant difference between in the Growth influence of indian banking services among the customers in relation to their gender”.**

The result of ‘t’ test is presented in table 1.1

**TABLE 1.1.**

**GROWTH INFLUENCES OF INDIAN BANKING SERVICES IN RELATION TO GENDER OF THE RESPONDENTS**

Factors	Gen	N	Mean	Std. Devi	‘t’	P value
Debit card	M	71	4.7324	.50590	.872	.385*

	F	29	4.8276	.46820		
Credit card	M	71	4.1127	.96435	1.425	.157*
	F	29	4.4138	.94556		
ATM	M	71	4.5493	.73268	1.138	.258*
	F	29	4.6897	.47082		
Smart card	M	71	3.6197	1.1509	1.284	.202*
	F	29	3.9310	.96106		
Deposit machine	M	71	3.7042	1.0197	1.212	.228*
	F	29	3.9655	.86531		
E-cheque	M	71	3.3239	1.1310	1.257	.212*
	F	29	3.6207	.90292		
Recharging phone/T.V	M	71	3.5211	1.1693	.428	.669*
	F	29	3.4138	1.0527		
Fund transfer	M	71	3.4930	1.1572	1.067	.289*
	F	29	3.7586	1.0574		
Bill payment	M	71	3.4648	1.0932	.067	.946*
	F	29	3.4483	1.1522		
Tax payment	M	71	3.5634	1.1178	.049	.961*
	F	29	3.5517	.98511		
E-fixed deposit	M	71	3.0000	1.1084	1.037	.302*
	F	29	3.2414	.91242		
E-ticketing	M	71	3.4225	1.1422	.826	.411*
	F	29	3.6207	.94165		
Payment of loan	M	71	3.0423	1.3140	.967	.336*
	F	29	3.3103	1.1052		

Source: Primary data

\*-Significant at five per cent level

The table 4.12 shows the E-banking services among the different gender group of customers along with its respective ‘t’ statistics.

As regards the ‘Debit card’ the p value (.385) is more than 0.05 so the null hypothesis is accepted at 5 per cent significance level, It is concluded that there is no significant difference in the E Banking services regarding Debit card and gender group of customers.

As regards the 'Credit card' the p value (.157) is more than 0.05 so the null hypothesis is accepted at 5 per cent significance level, It is concluded that there is no significant difference in the E-Banking services regarding 'Credit card' and gender group of customers.

As regards the 'ATM' the p value (.258) is more than 0.05 so the null hypothesis is accepted at 5 per cent significance level, It is concluded that there is no significant difference in the E-Banking services regarding 'ATM' and gender group of customers.

As regards the 'Smart card' the p value (.202) is more than 0.05 so the null hypothesis is accepted at 5 per cent significance level, It is concluded that there is no significant difference in the E-Banking services regarding 'Smart card' and gender group of customers.

As regards the 'Deposit machine' the p value (.228) is more than 0.05 so the null hypothesis is accepted at 5 per cent significance level, It is concluded that there is no significant difference in the E-Banking services regarding 'Deposit machine' and gender group of customers.

As regards the 'E-cheque' the p value (.212) is more than 0.05 so the null hypothesis is accepted at 5 per cent significance level, It is concluded that there is no significant difference in the E-Banking services regarding 'E-cheque' and gender group of customers.

As regards the 'Recharging phone/T.V' the p value (.669) is more than 0.05 so the null hypothesis is accepted at 5 per cent significance level, It is concluded that there is no significant difference in the E-Banking services regarding 'Recharging phone/T.V' and gender group of customers.

As regards the 'Fund transfer' the p value (.289) is more than 0.05 so the null hypothesis is accepted at 5 per cent significance level, It is concluded that there is no significant difference in the E-Banking services regarding 'Fund transfer' and gender group of customers.

As regards the 'Bill payment' the p value (.946) is more than 0.05 so the null hypothesis is accepted at 5 per cent significance level, It is concluded that there is no significant difference in the E-Banking services regarding 'Bill payment' and gender group of customers.

As regards the 'Tax payment' the p value (.961) is more than 0.05 so the null hypothesis is accepted at 5 per cent significance level, It is concluded that there is no significant difference in the E-Banking services regarding 'Tax payment' and gender group of customers.

As regards the 'E-fixed deposit' the p value (.302) is more than 0.05 so the null hypothesis is accepted at 5 per cent significance level, It is concluded that there is no significant difference in the E-Banking services regarding 'E-fixed deposit' and gender group of customers.

As regards the 'E-ticketing' the p value (.411) is more than 0.05 so the null hypothesis is accepted at 5 per cent significance level, It is concluded that there is no significant difference in the E-Banking services regarding 'E-ticketing' and gender group of customers.

As regards the 'Payment of loan' the p value (.336) is more than 0.05 so the null hypothesis is accepted at 5 per cent significance level, It is concluded that there is no significant difference in the E-Banking services regarding 'Payment of loan' and gender group of customers.

## **5. CONCLUSION**

Banking system in India has undergone significant changes during last 10 years. The Indian banking sector play a vital role in its economic development. The Statistics helps us to understand the Indian banking sector in India. Banks in India has a got a great response in terms of service and quality banking services and economic growth of country. Banking sector reform has been unique in the world in that it combines a comprehensive reorientation of competition, regulation and ownership in a non-disruptive and cost-effective manner. Globalization has encouraged multinationals and foreign banks to set up their business unit in a developing country like India. The role of these institutions in the growth of trajectories of behind industrializing, developing countries. Growth of all the sectors is directly related to the economic development of the country.

## **6. REFERENCES**

1. <https://economictimes.indiatimes.com/industry/banking/finance/banking/view-after-50-years-of-nationalisation-banking-sector-calls-for-crucial-changes...>
2. Role of Banks in the Development of Indian Economy, Prof. JagdeepKumari, Asstt. Prof. in Commerce Department, S.G.G.S Khalsa College, Mahilpur, Vol-3, Issue-1, 2017, ISSN: 2454-1362

3. Indian Banking Industry Analysis, 2018.
4. Statistical Tables Relating to Banks in India (Various Issues), Reserve Bank of India, Mumbai.  
URL: ([www.rbi.org.in](http://www.rbi.org.in))
5. [http://www.ehow.com/about\\_6607026\\_role-commercial-banks-economic-development.html](http://www.ehow.com/about_6607026_role-commercial-banks-economic-development.html)
6. [https://en.wikipedia.org/wiki/Commercial\\_bank](https://en.wikipedia.org/wiki/Commercial_bank)
7. [www.preservearticles.com/201012291875/indigenous-bankers.html](http://www.preservearticles.com/201012291875/indigenous-bankers.html)
8. [www.banknetindia.com/banking/boverview.htm](http://www.banknetindia.com/banking/boverview.htm)
9. [www.ibef.org](http://www.ibef.org)
10. <https://dbie.rbi.org.in/DBIE/dbie.rbi?site=statistics>
11. <http://www.bloomberg.com/research/stocks/private/snapshot.asp?privcapId=31091782>