

EMERGING TRENDS AND CHALLENGES OF INDIAN BANKING INDUSTRY

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Abstract—Every individual's day is filled with some expectations, needs and wants. This era is the age of changing and uncertain situation in the world economy with Globalisation and Liberalisation. In this aspects banking plays key role to balance and develop the economy by which borrows idle resources, makes funds available to the needy. It does not refer only to a place of tending and depositing money, but looks after the financial problems of the country. Indian economy is the 4th largest economy in the world and it is going to be a dominant force in the new world order in near future. Banks are back bone for a common man. Banking services are nowadays becomes part of basic requirements to every individual in India. The economic development of a country in the modern age can be judged from the efficiency of its banking system. Our banks play a vital role in maintaining the stability of price level in the country, selling the bills of exchange by mobilizing the savings of the nations in this global economy. In this paper an attempt is made to identify the role of banking sector, trends in banking sector & challenges behind Indian Banking Industry and concludes the need of emphasis required in the Indian banking services and marketing strategies in order to get sustainable competitive edge over the intense competition from national and global banks.

Keywords—Banking Sector; Economic Development; Economic stability; Globalisation

1. INTRODUCTION

The origin of the word 'Bank' derived from the German word 'Bank' which means joint stock of firm, from the Italian word 'Banco' which means a heap or mound. In India the ancient Hindu scriptures refers to the money lending activities in Vedic period. They performed most of those functions which banks perform in modern times. During Ramayana and Mahabharata eras also banking had become a full-fledged business activity. In other words the development of commercial banking in ancient times was closely associated with the business of money changing.

Bank is a lawful organization which accepts deposits that can be withdrawn on demand. It also tends money to individuals and business houses that need it. The traditional functions of banking are limited to accept deposits and to give loans and advances. But today banking is known as innovative banking. The Banks develop the habit of saving and in this way banks get large deposits that which helps effective in managing Demand and Supply of money also influence economy, control prices, wages and various other fields of economic development. Information technology has given rise to new innovations in the product designing and their delivery in the banking and finance industries, Customer services and customer satisfaction are their prime work. Current banking sector has come up with a lot of initiatives that oriented to providing a better customer services with the help of new Technologies. Banks can be able to judge whether a particular type of trade or industry would be worth undertaking. It guides its customers in the best possible way of commerce and industrial development.

2. EMERGING TRENDS AND CHALLENGES

The economic reforms initiated by the Government of India roughly about a decade ago have changed the landscape of several sectors of the Indian economy. The Indian banking sector is no exception. This sector is going through major changes as a consequence of economic reforms.

Now India has 27 public sector banks in India of which 19 are nationalised 6 SBI and its associated banks 2 banks are IDBI and Bharatiya Mahila Bank. India has total 93 Commercial banks are there at present. One of the major consideration led to nationalization is Indian banking sector is for giving vital role to the priority sectors of the economy. That includes Agriculture, Rural development, and Micro Small and Medium Entrepreneurial Development in India.

One of the most important problems of a developing economy is that of capital formation. There is a good deal of difference between hoarding and saving and the people in the countryside have to be made to realize the difference. This can be easily done by banks. They can undertake to educate the rural populace and thus mobilize their savings.

There is no doubt that deregulation has opened up new vistas for banks to augment revenues but it has entailed greater competition and consequently greater risks and a chain of challenges. These challenges emerged as a result of emergence of new banks, new financial institutions, new instruments and new opportunities in the environment.

The Indian banking sector faced with multiple and concurrent challenges such as increased competition, rising customer expectations, and diminishing customer loyalty. The banking industry is also changing at a phenomenal speed. While at the one end, we have millions of savers and investors who still do not use a bank, another segment continues to bank with a physical branch and at the other end of the spectrum, the customers are becoming familiar with ATMs, e-banking, and cashless economy. This shows the immense potential for market expansion. The exponential growth for the industry comes from being able to handle as wide a range of this spectrum as possible.

In this complex and fast changing environment, the only sustainable competitive advantage is to give the customer an optimum blend of technology and traditional service. Indian banking has traversed the vicissitudes of change from an era of controlled regime to an era of liberalization, deregulation, and disintermediation. Post- 1991, the financial sector reforms ushered in welcoming relief to the consumer. Entry of new private sector banks with their state-of-the-art technology, sleek organizational set-up, customer-focused approach, and competitive spirit made deep inroads into the bastion of public sector banks and consumers sensed the difference.

Changes have been fast and swift and the Indian banking industry to its credit has adapted itself appreciably to the fast changing environment. Banks today operate in a buyers' market and not in sellers' market as was the case a decade ago. The main beneficiary of these changes is the consumer who has never had it so good. With technology occupying a pivotal role in delivery of banking services, the expectations of the consumer have also been growing. Broadly, these expectations are swift service with minimal response time, efficient service delivery, tailor-made and value-added products to suit specific needs, hassle-free procedures and minimum transaction costs, and pleasant and personalized service. As different classes of customers have different expectations from the banks, we need to adopt a segmented approach to study the expectations of the consumers.

Banking in India is generally fairly mature in terms of supply, product range and reach, even though reach in rural India still remains a challenge for the private sector and foreign banks.

The growing competition increases the competitiveness among banks. But, existing global banking scenario is seriously posing threats for Indian banking industry. We have already witnessed the bankruptcy of some foreign banks.

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

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 up to new expectations. The diminishing employee morale results in decreased revenue. Due to the intrinsically close ties between staff and clients, losing those employees completely can mean the loss of valuable customer relationships. The retail banking industry is concerned about employee retention from all levels: from tellers to executives to customer service representatives because competition is always moving in to hire them away.

Some other Challenges before to Indian banking industry are - Coping with regulatory reforms, Development of skill of bank personnel, Customer awareness and satisfaction Corporate governance, Changing needs of customers, Keeping space with technology up gradation, Lack of common technology standards for mobile banking, Sustaining healthy bottom lines and increasing shareholders value, Structural changes, Man power planning

3. CONCLUSION

- The present banking scenario provides a lot of Challenges as well as facing lot of opportunities also. In the past few years we observed that there was lot of ups and downs trends in banking sector due to the global finance crisis also. In India it has not major affected but in America still the economy is under the pressure of economic crisis.
- Due to liberalization, Privatization and Globalization, Indian banks going global and many global banks setting up shops in India. The Indian banking system is set to involve into a totally new level. It will help the banking system to grow in strength going into future. Due to liberalization banks are operating on reduced spread, the main focus is highlighted on consumerism to get loyalty, attract new customers and retaining the customers with the bank for long period with the bank by giving customer satisfaction.

- Today banking is known as innovative banking. Information technology has given good scope to new innovations in the product designing and their delivery in the banking and finance industries, customer services and customer satisfaction are their prime work.
- Today in sector customers are more value oriented towards services because they have alternative choices in it. So that each and every bank have to take care about fulfil of our customers satisfaction.
- The biggest challenge for banking industry is to serve the mass market of India. Companies have shifted their focus from product to customer. The better we understand our customers, the more successful we will be in meeting their needs and satisfy the customer.
- Indian banks must cut their cost of their services. Another aspect to encounter the challenges is product differentiation. Apart from traditional banking services, Indian banks must keep on adopting some more product innovation so that they can compete in the competition.
- Expansion of branch size in order to increase market share is another tool to combat competitors. Therefore, Indian nationalized and private sector banks must spread their wings towards global markets as some of them have already done it. Indian banks are trustworthy brands in Indian market; therefore, these banks must utilize their brand equity as it is an valuable asset for them.
- A key driver of growth is innovation that surprises and delights consumers with new, differentiated, and relevant benefits.
- India will shortly become home to the second largest number of elderly persons in the world. The population of our country is high. Therefore, banks should focus on unmet financial needs of the pensioners and senior citizens. As per the census records, only 30.1 per cent of the rural households are availing banking services. One of the reasons may be non-availability of bank branches in the neighbourhood. The existing rural branches of many of the big banks are being closed as they have become unviable. Banks need to think 'out-of-the box' where box is the representation of all the tested, tried things that always worked in the past. They would have to think outside the boundaries of current practices, products, services, organizations, and industries as they fall behind the treadmill of faster and more rapid pace of change. The new business environment thus puts a premium on creativity and innovation more than ever before. This calls for innovative solutions.
- The national perspective plan for women states that 94 pc of women workers are engaged in the unorganized sector and 73 pc of these in agriculture and allied activities like dairy, animal husbandry, sericulture, handloom, handicrafts and forestry. Banks should do something to improve their access to credit which they require.
- Banks may have to go for mobile banking services for a cluster of villages. Alternatively, technological institutions have to come out with low-cost, self-service solutions/ ATMs.
- According to the RBI data, India still has 145 million households completely excluded from banking services and this section carries tremendous social appeal and presents a great economic prospect. India PM Banks can serve this customer segment as well as create value for themselves as financial inclusion evolves itself into a business opportunity rather than as a regulatory burden.
- Banking sector reforms have changed the traditional way of doing banking business. Mainly technology is the outcome of banking reforms. Customer is now the king and customer focus or satisfaction of customer is the main aim of the banks. With the introduction of new products and services competition has grown up among the banks. Only those banks will survive who face the competition with the effective ways of marketing.
- Prime Minister of India Mrs Narendra Modi with his key initiatives have resulted in increased numbers of customers to the banks so as to access and to make use of the services of Indian banking sector for the development of the economy.
- Still Indian banking Industry with Technology up gradation has to focus not only in creating good services for their bank customers but more that there is a need to create awareness on their bank services to the customers. Because the level of customer awareness plays significantly to market their services.

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