

## EMERGING TRENDS AND CHALLENGES OF INDIAN BANKING INDUSTRY

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### Abstract

Every person has certain expectations, requirements, and wants throughout the day. With the globalization and liberalisation of the economy, we are living in a time of change and uncertainty. Banking plays a critical function in this area of economy development and balancing by lending out idle resources and providing funding to those in need. It refers to more than just a location for holding and depositing money; it also takes care of the nation's financial issues. The fourth-largest economy in the world, the Indian economy will soon be a major player in the new global order. For the average individual, banks are his skeleton. Today, having access to banking services is a basic need for everyone in India. The effectiveness of a nation's banking system in the contemporary era can be used to assess that nation's economic development. By selling bills of exchange and utilising the savings of other countries in the global economy, our banks play a crucial part in preserving the stability of the country's price level. In order to gain a sustainable competitive advantage over the fierce competition from national and international banks, it is necessary to give emphasis to Indian banking services and marketing strategies. This paper makes an effort to identify the role of the banking sector, trends in the banking sector, and challenges behind the Indian banking industry.

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**Keywords:** Banking Sector; Economic Development; Economic stability; Globalization.

### INTRODUCTION

Bank is a lawful organization which accepts deposits that can be withdrawn on demand.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.

### 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

## **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.

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