

**ANALYTICAL STUDY OF THE INDIAN BANKING
SECTOR'S DEVELOPMENT AND TRENDS**

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Abstract

Today, we have a tendency to area unit having a reasonably well-developed banking industry with completely different categories of banks public sector banks, foreign banks, personal sector banks, each recent and new generation, regional rural banks and co-operative banks with the banking company of Republic of India because the fountain Head of the system. within the banking field, there has been associate degree unprecedented growth and diversification of industry has been thus prodigious that it's no parallel within the annals of banking anyplace within the world. In most rising markets, banks' assets comprise spill eightieth of total monetary sector assets, whereas these figures area unit considerably lower in developed economies. In most rising market economies, the 5 largest banks (usually domestic) account for over common fraction of bank assets. These figures area unit abundant lower in developed economies. Another distinction within the industry in developed and rising economies is that the degree of internationalizations of banking operations. Internationalization outlined because the share of foreign-owned banks as a share of total bank assets, tends to be abundant lower in rising economies. This pattern is, however, not uniform inside world regions. The industry has intimate with a series of great transformations within the previous couple of decades. Among the foremost necessary of them is that the modification within the style of organizations that dominate the landscape. Since the eighties, banks have redoubled the scope and scale of their activities and several other banks became terribly giant establishments with a presence in multiple regions of the country. The paper examines the Trends and progress of Indian industry. The Indian banking system consists of 12 public sector banks, 22 private sector banks, 44 foreign banks, 43 regional rural banks, 1,484 urban cooperative banks and 96,000 rural cooperative banks in addition to cooperative credit institutions. As of September 2021, the total number of ATMs in India reached 213,145 out of which 47.5% are in rural and semi-urban areas. As of July 29, 2022 bank credit stood at Rs. 123.69 lakh crore (US\$ 1,553.23 billion). As of July 29, 2022 credit to non-food industries stood at Rs. 123.36 lakh crore (US\$ 1.54 trillion).

Keywords: *Indian Banking Sector, rising Trends & Progress and rising Economies.*

Banks plays a crucial role within the economic development of developing countries. Economic development involves investment in varied sectors of the economy. The banks collect savings for investment in varied comes. In traditional banking the banks perform agency services for his or her customers and helps economic development of the country. the acquisition and sales securities, shares, build payments, receive subscription funds and collect utility bills for the govt. department. There for banks save time and energy of busy peoples. Bank arranges exchange for the business transactions with alternative countries. Banking sector

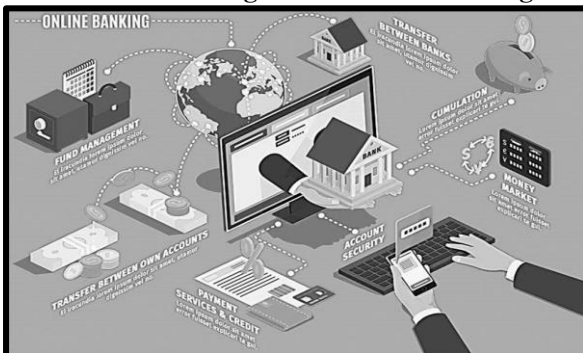
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don't seem to be merely assembling funds however additionally function a guide to the client concerning the investment of their cash. Current banking sector has come back up with plenty of initiatives that familiarized to providing a much better client services with the assistance of latest technologies. Banking sector mirrors the larger economy its linkages to any or all sectors build it proxy for what's happening within the economy as a full. Indian banking sector nowadays has an equivalent sense of pleasure and chance that's proof within the Indian Economy. The going developments within the international markets supply numerous opportunities to the banking sector. Within the competitive banking word improvement day by day in client services is that the most useful gizmo for his or her higher growth. Bank offers numerous changes to access their banking and alternative services.

In 2020-2022, bank assets across sectors increased. Total assets across the banking sector (including public and private sector banks) increased to US\$ 2.67 trillion in 2022. In 2022, total assets in the public and private banking sectors were US\$ 1,594.51 billion and US\$ 925.05 billion, respectively.

RBI has decided to set up Public Credit Registry (PCR), an extensive database of credit information, accessible to all stakeholders. The Insolvency and Bankruptcy Code (Amendment) Ordinance, 2017 Bill has been passed and is expected to strengthen the banking sector. Microfinance industry's gross loan portfolio (GLP) by 10% in FY22 to Rs. 2.85 trillion (US\$ 36.42 billion).As of June 01, 2022, the number of bank accounts—opened under the government's flagship financial inclusion drive 'Pradhan Mantri Jan Dhan Yojana (PMJDY)'—reached 45.60 crore and deposits in the Jan Dhan bank accounts totaled Rs. 1.68 trillion (US\$ 21.56 billion).

'Conventional banking to convenience banking'



Source: ICAI,

Rising income is expected to enhance the need for banking services in rural areas, and therefore, drive the growth of the sector. India is the world's largest market for Android-based mobile lending apps, accounting for ~82% of all online lenders worldwide. India currently has 887 active

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lending apps. The digital payments revolution will trigger massive changes in the way credit is disbursed in India. Debit cards have radically replaced credit cards as the preferred payment mode in India after demonetization. In May 2022, Unified Payments Interface (UPI) recorded 5.95 billion transactions worth Rs. 10.41 trillion (US\$ 133.46 billion).

Objectives of study

Describe recent trends in changing banking scenarios; Explore the potential of banks in changing banking scenarios.

Developing Patterns: DDD: It's even a lot of thus these days, after we are a unit undergoing a amount of the foremost fast acceleration of what's alluded to as 'creative destruction' within the history of the money sector. within the method of inventive destruction, new constructs emerge. it's here that 'new generation' managers could have a task a lot of rigorous than that of the managers of yesteryears. a task that involves over simply 'probity and prudence' that characterized the banker of yesteryears and progressively focuses on managing 'competing imperatives'.

While historians will slice the past into unnumbered slices, in terms of transformational amendment, there are solely a number of grammatical relation points in post-independence banking in India. the primary was the enactment of the Banking Regulation Act, 1949 that brought in an exceedingly comprehensive and formal structure of bank regulation and management in India. The nationalization of banks in our country marked the second such purpose. It generated forces that took banking from Associate in Nursing elite category to the lots. It semiconductor diode to the institution of a awfully substantial infrastructure across the geographical expanse of the sub-continent and was therefore a vital trigger for money reach of establishments and management of the individual. The third grammatical relation purpose in banking was the money sector reforms initiative that was launched within the early Nineteen Nineties.

These reforms publicized a dramatic shift within the method banks functioned and operated in India. The modified setting and also the internal compulsions arising from larger competition and also the ought to improve their market share / gain gave rise to the search for larger potency and also the ought to reposition them given the realities of the setting and their internal strengths and weaknesses.

These challenges concern a replacement, a lot of dynamic, aggressive and difficult work culture to fulfill the strain of client relationships, product differentiation, complete values, reputation, company governance and restrictive prescriptions. Understanding and coping with tough transitions is that the key for the new managers to coming up with methods for his or her organizations.

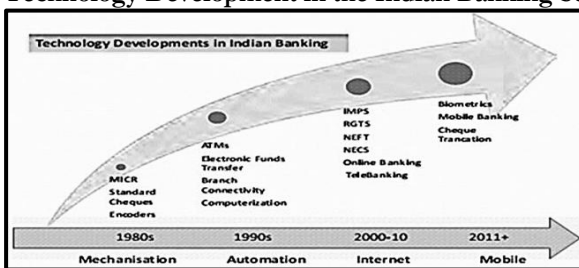
Indian economic surroundings are witnessing path breaking reform measures. The monetary sector, of that the industry is that the largest player, has conjointly been undergoing a metamorphic amendment. these

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days the industry is stronger and capable of withstanding the pressures of competition (Binija, 2015). whereas internationally accepted prudent norms are adopted, with higher disclosures and transparency, Indian industry is bit by bit moving towards adopting the most effective practices in accounting, company governance and risk management. Interest rates are deregulated, whereas the pains of directed loaning area unit being more and more reduced. In 1991, the govt opened the doors for foreign banks to start out their operations in Asian nation and supply their wide selection of facilities, thereby providing a robust competition to the domestic banks, and serving to the shoppers in availing the most effective of the services. The banking concern in its bid to maneuver towards the most effective international banking practices can any sharpen the prudent norms and strengthen its supervisor mechanism. Current banking sector has return up with variant initiatives that orientating to supply a far better client services with the assistance of recent technologies. it's helped the industry to influence the challenges the new economy poses. Technology has displayed new markets, new product, new services and economical delivery channels for the industry (Bhosale et al., 2013).

Few examples area unit like on-line Banking, Mobile Banking and net Banking. The progress of technology and development of worldwide have considerably reduced the value of worldwide fund transfer. The IT revolution has set the stage for alone raise in monetary activity across the world. it's IT that allows the banks in meeting such high expectations of the shoppers. The Indian Banking has finally aroused to the competitive dynamics of recent Indian market and its relevant problems regarding the assorted challenges of globalisation (Uppal, 2007). Banks that use IT solutions area unit appeared to be artistic movement and proactive players capable of meeting the varied necessities of huge client base. Indian industry goes through a section of metamorphosis and has witnessed dynamic ways by completely different banks to adapt to the embryonic competitive surroundings. This shift from standard social banking to profit banking, execution of prudent norms relating Capital Adequacy norms, financial gain appreciation, plus classification, exposure norms etc. have given rise to exaggerated competition and thrown bigger challenge in banking sector.

Technology Development in the Indian Banking Sector



Source: ICMAI, Jan 2017

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Present banking scenario: Bank accounts opened under GoI Pradhan Mantri Jan Dhan Yojana are over 450 Mn with deposits of over ~\$22 Bn in beneficiary accounts. Investments stood as the 2nd largest component in the assets side of the total banks' balance sheets after loans and advances, driven primarily by Government securities. As of 2020, the capital adequacy amongst Indian banks remained above regulatory requirements with RBI also further relaxing the leverage ratio for banks to boost lending. RBI has taken steps to enable mobile payments key enablers to growth, by removing the transaction limit of \$745 and allowing banks to set their own limits. Recovery of stressed assets improved during 2019-20 through the IBC, 2016 and Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interests (SARFAESI) Act, 2002.

The Top 5 banks in India banking assets are ~\$ 1.3 Tn: State Bank of India, ICICI Bank, Punjab National Bank, Bank of Baroda, and Bank of India. On an y/y basis, loans and advances were up by 6% in Q1 FY2022 suggesting a generally better lending activity compared to Q1 FY2021 which was at the height of the pandemic. Total Loans and Deposits are projected to grow at CAGRs of 8.77% and 8.48% respectively from 2020-2025 with Total Loans expected at ~ \$ 4 Tn by 2025 and Deposits at \$3.7 Tn. Gross bank credit by commercial banks was up by 6.7% in August 2021, after expanding by 5.6% in 2020/21, and 6.8% in 2019/20.

Lending to industry growing by 2.3% and to services up by 3.5%. Credit to infrastructure—a major segment of industrial credit—rose by 5.9%. (FY 2021); Industries make up about 30% of the commercial banks' loan book, followed by personal loans (29%) and the services sector (27%) (June 2021); Citibank (US) is the largest foreign-owned lender in India, followed by HSBC (UK), Standard Chartered (UK) and Deutsche Bank (Germany). In recent years, Singapore's DBS has been aggressive in expanding its presence 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 main focus is highlighted on consumerism and how to customers linked and remain attached with the bank. Therefore banks are entered these days in non-banking products such insurance in which area there are tremendous opportunities.

Recent Trends in Banking:

Large consumption market - India will become the 3rd largest consumer economy by 2030, driven by a young population comprising 65% population below the age of 35 years

Rural Digitization - Digital adoption continues to be propelled by rural India – clocking an 8% YoY growth to 333 Mn internet users (37% of rural population). Rural consumption accounts for 45% of all data

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consumption in India. Now there are 7 Rural Internet Subscriber, for every 10 Urban Internet Subscribers.

Number of Smartphone Users - India already has the 2nd highest number of smartphone users globally, and is the 2nd largest Internet user market.

Digital Push - Mobile banking internet banking, neo-banking and rise in digital products and solutions by private and Government of India support: 93% digital payments (by volume) done via mobile (2021) and over 1 Bn cards are in circulation.

Machine (ATM) - Automatic Teller Machine is that the most well liked device in India, that permits the shoppers to withdraw their cash twenty four hours every day seven days per week. it's a tool that enables client United Nations agency has associate degree ATM card to perform routine banking transactions while not interacting with a person's teller. additionally to money withdrawal, ATMs will be used for payment of utility bills, funds transfer between accounts, deposit of cheques and money into accounts, balance enquiry etc.

Tele Banking - Tele Banking facilitates the client to try to to entire non-cash connected banking on phonephone. below this device Automatic Voice Recorder is employed for less complicated queries and transactions. for sophisticated queries and transactions, manned phone terminals area unit used.

Electronic Clearing Service (ECS) - Electronic Clearing Service may be a retail payment system which will be wont to create bulk payments/receipts of an identical nature particularly wherever every individual payment is of a repetitive nature and of comparatively smaller quantity. This facility is supposed for corporations and government departments to make/receive massive volumes of payments instead of for funds transfers by people.

Electronic Funds Transfer (EFT) -Electronic Funds Transfer (EFT) may be a system whereby anyone United Nations agency desires to form payment to a different person/company etc. will approach his bank and create money payment or provide instructions/authorization to transfer funds directly from his own account to the checking account of the receiver/beneficiary. Complete details like the receiver's name, checking account variety, account sort (savings or current account), bank name, city, branch name etc. ought to be supplied with to the bank at the time of requesting for such transfers so the number reaches the beneficiaries' account properly and quicker. run is that the service supplier of triton.

Real Time Gross Settlement (RTGS) - Real Time Gross Settlement system, introduced in India since March 2004, may be a system through that natural philosophy directions will be given by banks to transfer funds from their account to the account of another bank. The RTGS system is maintained and operated by the run and provides a method of economical and quicker funds transfer among banks facilitating their monetary

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operations. because the name suggests, funds transfer between banks takes place on a 'Real Time' basis. Therefore, cash will reach the beneficiary in a flash and also the beneficiary's bank has the responsibility to credit the beneficiary's account at intervals 2 hours.

purpose of Sale Terminal -Point of Sale Terminal may be a laptop terminal that's connected on-line to {the laptop|the pc}ized client info files during a bank and magnetically encoded plastic group action card that identifies the client to the computer. throughout a group action, the customer's account is debited and also the retailer's account is attributable by the pc for the number of purchase.

We have highlighted higher than a number of the new rising trends. Currently I highlights the opportunities that new trends brings within the growth and development of banking sector in our country

The top trends in digital banking services



Opportunities

Internet Banking: It's clear that on-line finance can devour and there'll be increasing convergence in terms of product offerings banking services, share commerce, insurance, loans, supported the info reposition and data processing technologies. Anytime anyplace banking can become common and can get to upmarket, such up scaling might embody banks launching separate net banking services excluding ancient banking services.

Offering numerous Channels: Banks can give such a large amount of channels to access their banking and different services like ATM, native branches, Telephone/mobile banking, video banking etc to extend the banking business.

Retail Lending: Recently banks have adopted client segmentation that has helped in customizing their product folios well. therefore retail loaning has become a spotlight space notably in respect of finance of durable goods, housing, cars etc., Retail loaning has additionally helped in risks dispersion and in enhancing the earnings of banks with higher recovery rates.

smart client Services: Good client services area unit the most effective whole ambassador for any bank for growing its business. each engagement with client is a chance to develop a client religion within the bank. whereas increasing competition client services has become the backbone for decision making the performance of banks.

Rural space customers: causative to seventieth of the whole population in India may be a mostly untapped marketplace for banking sector. all told

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urban areas banking services entered however solely few massive villages have the banks entered. so the banks should reach in remaining all villages as a result of majority of Indian still living in rural areas.

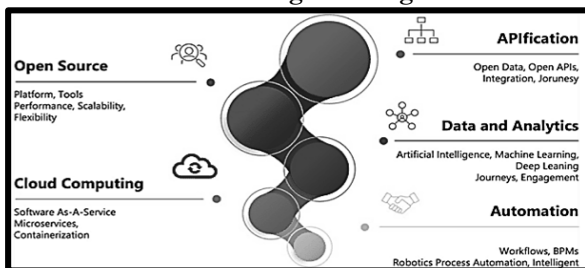
Indian Customers: The largest chance for the Indian banking sector these days is that the Indian customers. The Indian customers currently obtain to meet his mode aspirations at a younger age with associate degree optimum combination of equity and debt to finance consumption and quality creation. He represents across cities, cities and villages i.e. in rural areas. trade goods corporations area unit already sound this potential it's for the banks to form the foremost of the chance to deliver solutions to the current market.

Other Opportunities: there area unit several different opportunities in future within the field of Indian banking sector e.g. to enter new business and new markets, to develop new ways in which of operating, to enhance potency, to deliver high level of client services.

Conclusion of the Study: Addressing the health issues of the Indian banking system has been a slow and difficult task – and one that has been significantly curtailed by the pandemic. However, the progress made prior to early 2020 has allowed the banking system to weather the COVID-19 storm, despite significant outbreaks and stringent lockdowns.

Despite some improvements, the health of the Indian banking system is likely to constrain its ability to extend credit and support the economic recovery. Efforts are underway to strengthen bank balance sheets further, although banks will need to continue to absorb additional government bond issuance as they do this.

Trends In Banking -The Digital Fifth

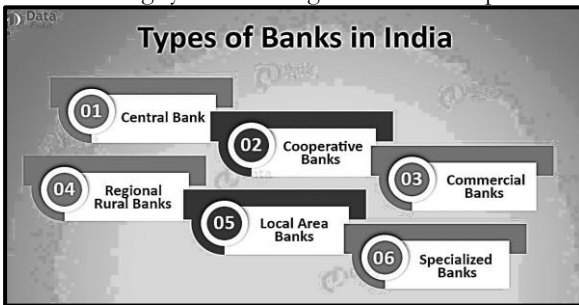


It is during this overall situation, the policy about the money services, and above all banking, should be thought-about. it's attention-grabbing to notice that world organization negotiations on money services are cautious and therefore the commitments of the many larger economies within the banking sector ar rather significantly restricted. In alternative words, within the context of issue of national possession of economic intermediaries, banks seem to possess a singular place publicly policy. There ar many noteworthy options of possession and management of banks altogether major economies - no matter whether or not they ar

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developed or rising. In the majority cases, banks are either wide command or have substantial State possession. moreover, there are special conditions governing the extent of possession, the character of possession and management, and transfers of such possession or management through statutory backing. These are even since the banks are avowedly special. The discussions in world organization on Commitments about gap of domestic banking sector to foreign banks/ownership mirror these considerations in most of the key economies.

knowledge clearly indicates that banks still play a pre-dominant role in money mediation in developing countries. this can be graspable for many reasons viz. the savers' avidness for assured income; inadequate capability to manage money risks and therefore the indisputable fact that the banking establishments in some sense and in numerous degrees, fancy deposit insurance and either implicit or specific guarantee of presidency. it's vital to notice that banking crisis invariably ends up in significant prices to the govt., whether or not they are publically owned, in camera owned, domestically owned or foreign owned. The commercial enterprise prices of banking crises are ownership-neutral. a crucial question during this context is whether or not the role of banks in money integration in developed countries is totally different from that within the rising market economies. it's helpful to assess the many variations within the structure of the banking system in rising vis-à-vis developed markets.



In most rising markets, banks' assets comprise over eightieth of total money sector assets, whereas these figures are considerably lower in developed economies. In most rising market economies, the 5 largest banks (usually domestic) account for over simple fraction of bank assets. These figures are a lot of lower in developed economies. Another distinction within the banking system in developed and rising economies is that the degree of group action of banking operations. group action outlined because the share of foreign-owned banks as a proportion of total bank assets, tends to be a lot of lower in rising economies. This pattern is, however, not uniform inside world regions.

Finally, a big feature of banking in developed versus rising economies, particularly in recent years, has been the method of consolidation. the

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foremost notable distinction between the consolidation method in developed and rising markets is that the overwhelming cross-border nature of mergers and acquisitions within the latter. above all, cross-border merger activity in continental Europe associated additionally between United States and European establishments has been a lot of of an exception instead of the rule. In distinction, there has been a pointy increase in foreign possession of some rising market banks because of method of privatization usually related to crises.

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