

ISSN 2349-638x
Impact Factor 5.707

AAYUSHI INTERNATIONAL INTERDISCIPLINARY
RESEARCH JOURNAL

PEER REVIEW & INDEXED JOURNAL

Email id : aiirjpramod@gmail.com

www.aiirjournal.com

SPECIAL ISSUE No. 46

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Indian Banking Sector After Globalization

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Introduction:-

Banking is the backbone of every economic system. Banks are the channels that circulate the life blood of business i.e. finance. The banking environment in India today changing rapidly. The new economic reforms popularly known as Liberalization, Privatization and Globalization (LPG model) came in existence since 1991. In this regard India accepted the free economy policy in 1991. India is the largest economy in the world having more than 125 crore population. Our economy was entered into liberalization globalization and Privatization policies. We liberalized our economy and make our market global such as think locally and act globally. Our static economy changed viable, The term globalization is often associated with international business. Various changes taken place. Every day there is a change so that the world markets become competitive. Revolutionary changes taken place such as close economy to open economy, regulated economy to deregulated economy.

Indian businesses more than held their own, and many became multinationals themselves. Booming revenue from fast growth has financed record government spending on social sectors and safety nets, even if these areas are still dogged by massive corruption and waste.

Globalization:-

The term globalization is often associated with international business. The IMF has defined globalization as, "the growing economic interdependence of countries worldwide through increasing volume and variety of cross border transactions in goods and services and of international capital flows, and also through the more rapid and widespread diffusion of technology."

The economic reforms have also generated new and powerful customers (huge Indian middle class) and new mix of players (private sector units, private banks, and foreign banks). The emerging competition had generated new expectations from the existing and the new customers. There is an urgent need to introduce new products. This paper explains the changing banking scenario, the impact of economic reforms and analyzes the challenges and opportunities for the banking sector.

Objective of the Study:-

The main object of the study is to explain and examine the Indian banking sector after globalization.

Methodology of the Study:-

The study is mainly based on the analysis of all the available secondary data related to globalization and its impact on Indian banking sector. The paper is based on secondary data such as relevant books, journals and internet

Challenges of Banking sector after Globalization:-

The role of banking sector is very important as one of the leading and mostly essential service sector. The face of banking is changing rapidly. The competition is going to be tough and with financial liberalization under the WTO, banks in India will have to benchmark themselves against the best in the world.

Banking sector in India 2015-16

Sr.No.	Types of Banks	Branches
01	Public sector Banks	21 banks, branches 61283
02	Private Sector Banks	21 banks branches 4673
03	Local Area Banks	4 banks
04	Small Finance Banks	06 banks
05	Regional Rural Banks	56 banks
06	Co-operative Banks	31 banks
07	Foreign banks	45 banks

(Source : rbi.org.in)

Due to globalization Indian banks are operating on reduced spared main focus is highlighted in consumerism and how to customers linked and remain attached with the bank.

Non-performing Assets:-

India ranked 5th in bad loans in world. Indian banks gross non-performing assets (NPAs) or bad loans stood at Rs. 8.40 Lakh Crore as on 30th September 2017 (RBI Report). Public sector banks are more stressed than their private sector. State bank of India accounted for the largest share of about 22.7% (or Rs. 1,88,068 crore). SBI, Punjab National bank, Bank of India, IDBI Bank and Bank of Baroda accounted for 47.4% (totaling amount Rs. 3,93,154crore) in the total NPAs as of June end 2017.(RBI Report).Indian Bank Industry is seriously affected by Non-performing Assets. NPAs do not just reflect badly in a banks account books, they adversely impact the national economy. Following some problems of NPAs

NPA have not been a problem only for the banks but has been a problem for the economy too. The money locked up in NPAs has directly impact on profitability of the banks as many Indian banks are highly dependent on the interest income.

Indian Bank Industry is seriously affected by Non-performing Assets. NPAs do not just reflect badly in a banks account books, they adversely impact the national economy. Following some problems of NPAs

1. Depositors do not get rightful returns and many times may loss uninsured deposits. Banks may begin charging higher interest rates on some products to compensate NPL losses.
2. Bank share holders are adversely affected.
3. Bad loans imply redirecting of funds from good projects to bad ones. Hence, the economy suffers due to loss of good projects and failure of bad investments.
4. When bank do not get loan repayment or interest payments, liquidity problems may occur.
5. Stress in banking sector causes less money available to fund other projects, therefore, negative impact on the larger national economy.
6. As investments got stuck, it may result in unemployment
7. Investors do not get rightful returns.

Competition:-

After globalization Indian banking sector have to face competition with foreign banks and private banks. Competition in banking sector brings various challenges such as product positioning, innovative ideas and channels, new market trends, cross selling's etc. Banks are restricting their administrative folio by converting manpower in to machine power. i.e. banks are decreasing manual powers and getting maximum work done through machine power. So there is need to appoint skilled and specialized man power.

Impact on profitability:-

The most direct result of the globalization is increasing competition and narrowing of spreads and it impact on the profitability of banks. So greater attention will need to be paid to reducing transaction costs.

Customer satisfaction:-

Customers are more value oriented in their services because they have alternative choices in it. So that each and every bank have to take care about fulfil of customer satisfactions.

Several Personal services:-

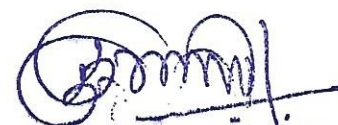
After globalization, demanded that banks are to provide several services for which they have to expanse in service, social banking with financial possibilities, selective up gradation, better customer services, effective managerial culture, internal supervision and control, strong organization culture etc. There fore banks must be able to provide complete personal services to the customers who comes with expectations.

Managing Technology:-

Developing or acquiring the right technology, deploying it optimally and then leveraging it to the maximum extent is essential to achieve and maintain high service and efficiency standards while remaining cost effective and delivering sustainable return to shareholders. Managing technology is therefore , a key challenge for the Indian banking sector.

Other Challenges:

- a) Coping with regulatory reforms
- b) Development of skill of bank personnel
- c) Corporate governance
- d) Technology up gradation
- e) Structural changes
- f) Man power planning


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Changing Role of Banks in India:

1. Better Customer services
2. Mobile Banking
3. Portfolio Management
4. Issue of Electro-magnetic cards (Credit cards, Debit cards ,Charge cards, smart cards, kisan cards)
5. Universal Banking
6. Automated teller machine (ATMs)
7. Internet Banking
8. Bank amalgamations
9. Encouragement to personal Loans
10. Marketing of mutual funds
11. Social banking etc.

Conclusion:-

It may be said that the banking sector in India is passing through an era of crises- crisis of both function and structure. No doughty banking sector have undergone drastic changes and so also the expectation of customers from the banks has increased grater. Many banks have modernized their services with the facilities of computer and electronic equipments. Indian sector is bracing itself to catch up with the global trends in banking in matter of services quality standards, provision of multiple delivery channels, innovations in products and services and provision of financial services beyond the traditional boundaries of banking. Indian banking is adjusting itself to the demands and compulsion of evolving global prudential standards. Core banking, mobile banking, internet banking are some strengthening its roots in India and it has long journey to competitive business world. To sum up, Indian banks have adopted better operational strategies and upgraded their skills.

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