PREFACE

The Indian Banking System has undergone a sea change in the past decade with the implementation of the ongoing banking sector reforms. Reforms are continuing as a part of the overall structural reforms aimed at improving the productivity and efficiency of the economy. The role of an integrated financial infrastructure is to stimulate and sustain economic growth.

The Banking sector over the years has become more efficient with the implementation of prudential norms for asset classification and improved thrust on technology advancement. The Public Sector Banks (PSBs) still dominate the sector with 75% of the market share of business and profits. The new private sector banks with their technology driven business model are fast catching up with the PSBs. The last two years has seen banks book windfall gains in treasury profits. With the interest rates hardening up, banks need to focus on core profit growth. The retailisation of the banks’ balance sheet has seen banks improve their asset mix with the home loans, auto loans and personal loans.

The Indian Banking System has a large geographic and financial coverage. Presently, the total asset size of the Indian Banking Sector is US$ 270 billion while the total deposits amount to US$ 220 billion with a branch network exceeding 66,000 branches across the country. Revenues of the banking sector have grown at 6% CAGR over the past few years to reach a size of US$ 15 billion. While commercial banks cater to short and medium term financing requirements; national level and state level financial institutions meet long term requirements.

Banking has grown into a technology concentrated and customer friendly model with a focus on convenience. The sector is moving towards the emergence of financial supermarkets in the form of universal banks providing a set of services ranging from retail to corporate banking, industrial lending and investment banking. While corporate banking is clearly the largest segment, personal financial services is the highest growth segment. The recent favourable government policies for enhancing limits of foreign investments to 49% among other key initiatives have encouraged
such activity. Larger banks will be able to muster sufficient capital to finance asset expansion and fund investments in technology.

CHANGING SCENARIO

The Indian banking has finally worked up to the competitive dynamics of the new Indian market and is addressing the relevant issues to take on the multifarious challenges of globalization. Banks that employ IT solutions are perceived to be ‘futuristic’ and proactive players capable of meeting the multifarious requirements of the large customers base. Private Banks have been fast on the uptake and are reorienting their strategies using the Internet. The Indian banking has come a long way from being a sleepy business institution to a highly proactive and dynamic entity. This transformation has largely been brought about by the large dose of liberalization and economic reforms that allowed banks to explore streams (i.e. borrowing and lending). The banking in India is highly fragmented with 30 nationalized banks (banks owned by the government) continue to be the major lenders in the economy due to the sheer size and penetrative networks which assures them high deposit mobilization.

The need to become highly customer focused has forced the slow-moving public sector banks to adopt a fast track approach. The unleashing of products and services through the net has galvanized players at all levels of the banking and financial institutions market grid to look anew at their existing portfolio offering. Conservative banking practices allowed Indian banks to be insulated partially from the Asian currency crisis. Indian banks are now quoting a higher valuation when compare to banks in other Asian countries (viz. Hong Kong, Singapore, Philippines etc.) that have major problems linked to huge Non Performing Assts (NPAs) and payment defaults. Co-operative banks are nimble footed in approach and armed with efficient branch networks focus primarily on the ‘high revenue’ niche retail segments.
Although a lot of research work has been carried out on Banking sector and number of books and research papers have been published by various individuals, but research on different aspects of Indian Banking System, managing new challenges, is lacking. With a view to fill this void, the researcher has undertaken the present research by making a detailed factual analysis of Indian Banking System and extending valuable suggestions for improvement in the Public and Private Sector Banks.

Any accomplishment requires the effort of many people and this work is no different. I take this opportunity to express my profound sense of gratitude and admirations to my learned research director Dr. G.P. Dang, Reader, Department of Commerce, D.A.V (P.G) College, Dehradun for his invaluable and sagacious guidance, untiring and ever willing help, sustained encouragement and critical discussion meted out to me during the course of my research work. I am also indebted to Mrs. Geeta Dang, Mr. Vaibhav Dang and Mr. Saket Dang for the encouragement and moral support I got from them during the course of my study.

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Date :

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