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STUDY OF BANKING INDUSTRY IN INDIA & THEIR TRANSFORMATION INTO NEW FORMS & STRUCTURES

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ABSTRACT

The Indian banking industry has developed and changed itself from a socialist licensed raj business to a liberalized, modernized and technology oriented. Banking industry is the spine for any economy and is the key pointer to see and break down the level of improvement of country.The Indian banks indeed, even overcame the subprime emergencies that shook the global financial sector in 2008. The Indian banks capacity to secure resource wellbeing through reasonable loaning helped them rise up out of this emergency unscathed. The Indian banking sector has a substantial market still unexplored with the Indian family units being one of the highest savers in the world representing 69% of India gross national saving of which just 47% is gotten to by the banks.

1. INTRODUCTION

The banking industry is entering another stage, where there is expanding competition from non-banks, in the residential market as well as in the international markets. The operational structure of banking in India is relied upon to experience a profound change amid the following decade. With the up and coming new private sector banks, the private banking sector has progressed toward becoming enhanced and expanded with concentrate on discount and additionally retail banking. The current banks have wide branch arrange and geographic spread, whereas the new private sector banks have massive capital, lean personnel component, the flawlessness in growing great financial products [1].

Banking today covers the whole range of finance from basic savings to credit cards and home loans. Commonly, a bank creates profits from exchange expenses on financial administrations or the premium spread on assets it holds in trust for clients while paying them enthusiasm on the benefit [2]. Banks today are associated electronicallywith the goal that banking transactions can be made globally in a brief moment.

Banking industry changed from conventional method for banking, brick and mortar framework to E-Banking, with information technology [3]. This transformation has been depicted beneath in 5 noteworthy stages, that is, Pre-nationalization of banks (before 1969), Nationalization of banks (1969-1990), Banking sector changes (1991-2000), Computerization of banks and last is the current phase of Electronic Banking (post 2000).Banking Regulation Act, 1949, Section 5(c), defines bank as "a banking company which transacts the business of banking in India.' Further, Section 5(b) of the BR Act defines banking as, 'accepting, for the purpose of lending or investment, of deposits of money from the public, repayable on demand or otherwise, and withdraw able, by cheque, draft, and order or otherwise [4].

2. OBJECTIVES

- To feature the major transformational points in the Indian Banking Industry.
- To break down the current level of banking in India.

3. RESEARCH METHODOLOGY

Advancement and Growth of Banking in India

The think back of banking in India can be followed back to the fourth century BC in the 'Kautilya Arthashastra', which contains references to creditors and lenders. It additionally makes a reference to "Enthusiasm on products lent" (PRAYOG PRATYADANAM) to be accounted as revenue of the state. Along these lines, lending activities were not by any means obscure in the medieval India and the idea, for example, 'need of cases of creditors' and 'ware lending' was built up business practices that being said. However the genuine underlying foundations of commercial banking in India can be followed back to the mid eighteenth century with the foundation of the three presidency banks [5].

The first of the three was the Bank of Bengal in 1809, the other two presidency bank, viz., the Bank of Bombay and the Bank of Madras, were built up in 1840 and 1843, separately. The three presidency banks were in this manner amalgamated into the Imperial Bank of India (IBI) under the Imperial Bank of India Act, 1920 which is presently the State Bank of India (SBI) [6].The Reserve Bank of India was set up on April 1, 1935 as per the provisions of the Reserve Bank of India Act, 1934.

The foundation of this national bank of the nation finished the semi focal banking part of the Imperial Bank. The last stopped to be bankers to the Government of India and rather moved toward becoming agent of the Reserve Bank for the exchange of government business at focus at which the national bank was not built up.

The Banking Regulation Act

The Banking Act 1949 was an exceptional legislation, material only to the banking organizations. This Act was later renamed as the Banking Regulation Act from March 1966. The Act vested in the Reserve Bank of India the responsibility identifying with licensing of banks, branch expansion, and liquidity of their assets, management and techniques for working, amalgamation, reconstruction and liquidation. In this manner giving RBI expert alongside responsibility and touching off the initial segment of banking transformation in India

The second way banking and transformation exertion occurred in 1955 with the foundation of the Indian Banking Sector' State Bank of India.

Nationalization

The requirement for nationalization was felt since government trusted that private commercial banks were deficient in satisfying the social and developmental goals of banking. This was clear from the way that the ventures' offer in loans relatively multiplied in the vicinity of 1951 and 1968, from 34% to 68%. Then again, agribusiness which was a noteworthy occupation (and still is) got under 2% of aggregate credit Thus with a view to serve the mass Government of India Nationalized 14 banks (refer table 1) in 1969 bringing the aggregate number of branches under government control to 84 percent .Once again in April of 1980, the Government of India embraced a moment round of nationalization, setting under government control the six private banks whose nationwide stores were above Rs. 2 billion, leaving roughly 10 percent of bank branches in private hands.

Table 1- Banks Nationalized

S.No	1969	1980
1.	Allahabad Bank	Andhra Bank
2.	Bank of Baroda	Corporation Bank New Bank
3.	Bank of India	Punjab & Sind Bank
4.	Bank of Maharashtra	Vijaya Bank
5.	Canara Bank	Oriental Bank of Commerce
6.	Central Bank of India	UTI Bank
7.	Syndicate Bank	
8.	UCO Bank	
9.	United Bank of India	
10.	Union Bank	
11.	Punjab National Bank	
12.	Indian Overseas Bank	
13.	Indian Bank	
14.	Dena Bank	

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The main considerations that added to crumbling bank performance included

1. Too stringent administrative requirements (i.e., a money save necessity [CRR] and statutory liquidity prerequisite [SLR])
2. Low interest rates charged on government bonds (as contrasted and those on commercial advances)
3. Directed and concessional lending
4. Administered interest rates
5. Lack of competition.

Public Sector Banks

PSB are those in which the larger part stake is held by the Government of India (GoI). Public sector banks together make up the biggest category in the Indian banking framework (allude Table 2). There are currently 27 public sector banks in India. They incorporate the SBI and its 6 associate banks, 19 nationalized banks, (for example, Allahabad Bank, Canara Bank and so on) and IDBI Bank Ltd.

- **Scheduled Banking Structure in India**

The RBI has under its ambit has the Scheduled banks which are additionally subdivided in to Scheduled Commercial Banks and Scheduled Cooperative banks (refer figure 1)

The Scheduled Commercial Banks which are currently 80 in number constitute about three fourth of the banking system.

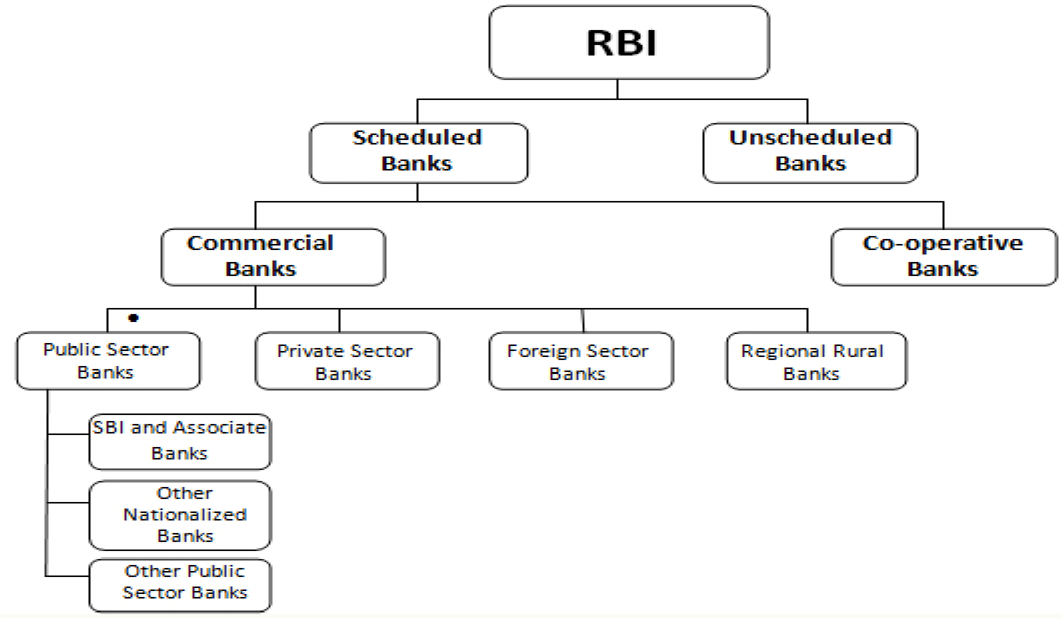

Figure 1- Scheduled Banking Structure in India

Private Sector Banks

In this sort of banks, the larger part of share capital is held by private people and corporate. Not all private sector banks were nationalized in 1969, and 1980. The private banks which were not nationalized are by and large known as the old private sector banks and incorporate banks, for example, The Jammu and Kashmir Bank Ltd., Lord Krishna Bank Ltd and so forth. Passage of private sector banks was however prohibited amid the post-nationalization period.

Foreign Banks

Foreign Banks have their enlisted and head offices in a foreign nation however work through their branches in India. The RBI allows these banks to work either through branches; or through entirely claimed subsidiaries. Foreign banks in India are required to hold fast to all banking regulations, including need sector lending standards as material to local banks. Notwithstanding the section of the new private banks in the mid-90s, the expanded nearness of foreign banks in India has additionally added to boosting competition.

Financial inclusion

In India still more than 50 % of the population don't approach any sort of banking services. The principle explanation behind this financial exclusion in India is the absence of a normal or generous pay, exorbitant documentation for loans and opening of records, absence of nearness of the financial institutions, high transportation cost and loss of daily wage.

4. CONCLUSION

The Indian Banks have figured out how to develop with flexibility amid the post change time. However the Indian banking sector still has a vast market unexplored. With the Indian families being one of the highest savers on the planet accounting for 69% of India gross national saving of which just 47% is gotten to by the banks the greater part of the Indian population still unbanked with just 55 for every penny of the population have a deposit account and 9 for each penny have credit accounts with banks. India has the highest number of families (145 million) prohibited from Banking and has just a single bank branch for every 14,000 individuals.

Then again, Indian banking industry needs to confront challenges like financial incorporation, deregulation of interest rates on saving deposits, slow modern development, management of benefit quality, expanded stress on a few sectors, change to the International Financial Reporting System, execution of Basel II and so on.

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