

CONTEMPORARY ISSUES AND CHALLENGES OF BANKING IN INDIA

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ABSTRACT

The changes in banking technology and lifestyle of the customer have provided opportunity to grow Banking sector in India. A bank is financial institution help its customers as creditor to grow their business by providing loans and advances as well as it helps to its customer as debtor by accepting deposits and providing interest as sources of income for their own development. So the development of Trade, Business and Industries mostly depends on the efficient finance system of banking in the nation. The development of any nation mostly depends on the development of trade, industries and business. Unfortunately, in last decades, the banking sectors facing many problems like, huge amount of NPA, major scams and frauds, managerial problems, horrible recovery system and frauds related to online banking and internet banking and so on. All these problems have increases the NPA and losses of banks in India. The GOVT of India is providing huge fund every year to banks. In the year 2016 he govt has sanctioned 1 lakh corers as capital to the Indian Banks. In this paper an attempt has been made to find out the challenges and issues created by new technology in banking sector. For ex., E-Banking and internet banking i.e. cyber attack etc.

KEYWORDS: Mobile Banking, NPA, Capital Adequacy, New Technology, Cyber Attack.

Introduction

In 1991, India accepted the polity of LPG. It creates impact on all sector like, banks, labour, industries and so on. The new economic reform has increased the need and importance of banking sector for the development of nation. The govt has made many changes in banking policy. The Indian government launched the scheme of Jan-Dhan under this many accounts were opened in the bank. Similarly government launched and implementing compulsory Direct Benefit Transfer so every citizen of India is required their account in a bank for transfer of subsidy, scholarship and other benefits of government. During last decade on these accounts customer of banks have been increased tremendously. Similarly government is liberal in providing loans to the customer like Mudra loan, start up, opening of SME and MSME branches for small scale industries and traders etc. During this decade the govt has introduced cashless policy for all transaction, the speed of the internet is also increased from 2g to 4g and due to this all changing technology many challenges exist in banking sector. Most of the transactions are done by using internet banking and mobile banking. Now it is the challenge before the banks to adopt and improve the technology, and to make control over control over the scams and cyber frauds in banking sector.

Objectives of the Study

- To study the present status of Banks in India
- To find out the issue and challenges of Banking sector in India.
- To study the problems and challenges created by modern technology in banking system.
- To make recommendations to solve the problems and overcome challenges of banking system in India.

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Methodology

This research paper mostly depends on secondary data collected through, annual reports of Bank and monthly RBI bulletin published by RBI. Some of the information required to research, also collected through the journals and periodicals published by government and banking articles written by stalwarts and experts in banking sectors.

Data Analysis

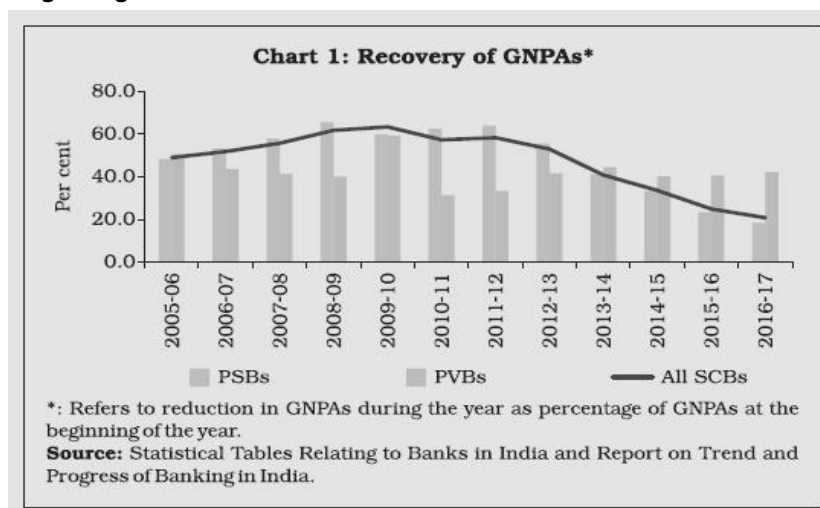
• Frauds and Scams During last Five Years

The details of the frauds and scams in banking sector shows that modern technology itself created many problems and challenges and it become easy to deceive bank.

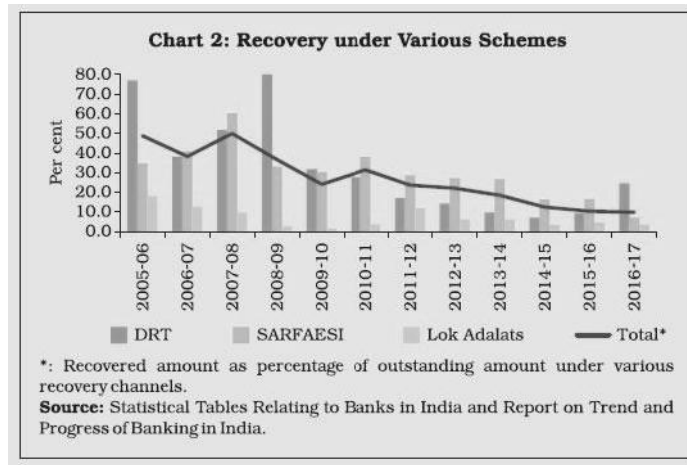
Sr. No	Year	Name of Bank	Name of Fraud	Amount of Fraud (in Cr)	Total Amount for the Year
1	2011	Bank of Maharashtra, Oriental Bank and IDBI	Fictitious account	150	150
2	2014	Central Bank	Electrotherm India	436	10686
		Public Sector Bank	Fixed Deposit Frauds	700	
		Central Bank	BipinVohra	1400	
		Syndicate Bank	S K Jain	8000	
		Union Bank of India, SBI, PNB	Vijay Mallya		
3	2015	Central Bank	Jain Indra Project	200	6200
		Employees of Various Banks	Forex scam	6000	
4	2016	Syndicate Bank	Fake cheques	1000	10
5	2017	IDBI Bank	Kingfisher airlines	9500	20720
		Indian Banks	Winsome Diamonds	7000	
		Public Sector Banks	Deccan Chronicle holdings	1161	
		20 Banks	Niles Parekh	2223	
		Bank of Maharashtra	Logistic Company	836	
6	2018	PNB and 17 other Banks	Nirav Modi	11450	11450

This table shows that the amount of frauds and scams increasing year by year because of industrialist employees and Managing Directors of banks.

• Data regarding NPA of all Banks



The total average recovery of all banks in India is 26% while the average recovery of private sector banks is 41% as compare to public sector banks at 25%. During this period from 2005-06 to 2016-17 is finds that the recovery of all banking is increasing. It also observed that the banks are now providing secured loan as compare to unsecured loan.



This table shows that legal recovery is more than the non-legal recovery like, SARFAESI and Lok Adalat. DRT is the only system to recover the loan given by Bank.

- **Profit and loss of Indian Banks**

Rs (in Crores)

	Mar'18	Mar'17	Mar'16	Mar'15	Mar'14
Total income	19519.48	18251.12	18025.20	17216.30	16620.89
Total expenditure	7356.57	5786.04	5121.71	4217.90	4151.86
Profit and Loss for the Year	1258.99	1405.68	711.38	1005.17	1158.94

Source: <https://economictimes.indiatimes.com/indian-bank/profitandlose/companyid-8614.cms>

This table shows that total sale of the bank is raising but the income of the bank is nor raising accordingly. The profits of the banks are not raising according to the business of bank. In the above table it is observed that business in 2014 is 15.249.21 whereas in 2018 is 17113.65.

Challenges before the Banks

- **Losses in Rural Branches**

Most of the rural branches are running at a loss because of high overheads and prevalence of the barter system in most parts of rural India.

- **Large Over-Dues**

The small branches of commercial banks are now faced with a new problem—a large amount of overdue advances to farmers. The decision of the former National Front Government to waive all loans to farmers up to the value of Rs. 10,000 crores has added to the plight of such banks.

- **Non-Performing Assets**

The commercial banks at present do not have any machinery to ensure that their loans and advances are, in fact, going into productive use in the larger public interest. Due to a high proportion of non-performing assets or outstanding due to banks from borrowers they are incurring huge losses. Most of them are also unable to maintain capital adequacy ratio.

- **Advance to Priority Sector**

As far as advances to the priority sectors are concerned, the progress has been slow. This is partly attributable to the fact that the bank officials from top to bottom could not accept nationalisation gracefully, viz., and diversion of a certain portion of resources to the top priority and hitherto neglected sectors. This is also attributable to the poor and unsatisfactory loan recovery rates from the agricultural and small sectors.

- **Competition from Non-Banking Financial Institution**

As far as deposit mobilisation is concerned, commercial banks have been facing stiff challenges from non-banking financial intermediaries such as mutual funds, housing finance corporations, leasing and investment companies. All these institutions compete closely with commercial banks in attracting public deposits and offer higher rates of interest than are paid by commercial banks.

- **Competition with Foreign Banks**

Foreign banks and the smaller private sector banks have registered higher increase in deposits. One reason seems to be that non-nationalised banks offer better customer service. This creates the impression that a diversion of deposits from the nationalised banks to other banks has probably taken place.

- **Gap between Promise and Performance**

One major weakness of the nationalised banking system in India is its failure to sustain the desired credit pattern and fill in credit gaps in different sectors. Even though there has been a reorientation of bank objectives, the bank staff has remained virtually static and the bank procedures and practices have continued to remain old and outmoded. The post-nationalisation period has seen a widening gap between promise and performance. The main reason seems to be the failure of the bank staff to appreciate the new work philosophy and new social objectives.

- **Bureaucratisation**

Another problem faced by the commercial banks is bureaucratisation of the banking system. This is indeed the result of nationalisation. The smooth functioning of banks has been hampered by red-tapism, long delays, lack of initiative and failure to take quick decisions.

- **Political Pressures**

The smooth working of nationalised banks has also been hampered by growing political pressures from the Centre and the States. Nationalised banks often face lots of difficulties due to various political pressures. Such pressures are created in the selection of personnel and grant of loans to particular parties without considering their creditworthiness.

Prospects

- **Rising Customer:** Due to adoption of Financial Inclusion and Jan Dhan Yojana and DBT, customers of banking are ever increasing.
- **Fast and Modern Technology:** Today Technology is dynamic and ever changing banks need to change according to change in the technology.
- **Increase in Deposit:** Due to financial inclusion the CASA deposits of customers are increasing so banks have ample cash for their working capital.
- **Increasing Types of Services:** Now a days banks are providing other financial services like insurance, dealing in buying and selling shares, bonds and land etc.
- **Fast Loan System:** Most of the foreign and private and cooperative banks are providing loans on instant basis so banks have good opportunity if they provide loan on urgent basis.
- **Huge Market:** Due to modernization and globalization there is ever increase in the funds by the traders, businessman and even citizen.
- **Advance Services Like e-banking, Mobile Banking:** Now a day's customer need banking service without visiting to the bank. Hence bank should provide latest and modern technology like e-banking, mobile banking etc.

Conclusion

In modern era banking service is the need of the all traders, businessman as well as every citizen. Due to change in the technology expectation of the customer is increased. There is political pressure on the nationalized banks. Most of the rural bank are running in a loss. Private Banks are giving loans on fast and urgent basis.

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