

FINANCIAL AND BANKING SECTOR REFORMS IN INDIA : AN OVERVIEW

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Abstract

The banking section will navigate through all the aspects of the Banking System in India. It will discuss upon the matters with the birth of the banking concept in the country to new players adding their names in the industry in coming few years. The banker of all banks, Reserve Bank of India (RBI), the Indian Banks Association (IBA) has been well defined. The financial & Banking Sectors reforms in India have been improved in the last ten years. This article focused on the changes in financial system.

Keywords: TFP, Financial Sector, Internal Factors, Per Capita Income, Recapitalization, Resolution, Reform.

Introduction

The banking system of India should not only be hassle free but it should be able to meet new challenges posed by the technology and any other external and internal factors. For the past three decades India's banking system has several outstanding achievements to its credit. The most striking is its extensive reach. It is no longer confined to only metropolitans or cosmopolitans in India. In fact, Indian banking system has reached even to the remote corners of the country. This is one of the main reasons of India's growth process. The government's regular policy for Indian bank since 1969 has paid rich dividends with the nationalizations of 14 major private banks of India.

The Objective of the Study

The objective of reforms in general is to accelerate the growth momentum of the economy, defined in terms of per capita income. The broad objective of the financial sector reform has thus been to create a viable and efficient banking system. Improvements in the growth rate can be effected through three, not necessarily mutually exclusive channels: improving productivity of capital, through investments in human capital and raising total factor productivity (TFP).

Financial and Banking Sector Reforms

The last decade witnessed the maturity of India's financial markets. Since 1991, every governments of India took major steps in reforming the financial sector of the country. The important achievements in the following fields are discussed under as follows:

Financial Markets

In the last decade, Private Sector Institutions played an important role. They grew rapidly in commercial banking and asset management business. With the openings in the insurance sector for these in situations, they started making debt in the market. Competition among financial intermediaries gradually helped the interest rates to decline. Deregulation added to it. The real interest rate was maintained. The borrowers did not pay high price while depositors had incentives to save. It was something between the nominal rate of interest and the expected rate of inflation.

Regulators

The Finance Ministry continuously formulated major policies in the field of financial sector of the country. The Government accepted the important role of regulators. The Reserve Bank of India (RBI) has

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