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Problems and Prospects of Banking Sector: A Study

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ABSTRACT

Banks emphasize on customer satisfaction for customer retention. Banks provide banking facilities appropriately to customers to survive in the competitive and dynamic environment of banking sector. Many people suffer to avail banking facilities due to complicated rules and regulations of banks. Rural masses face difficulties to avail bank loans due to complicated procedure of banks. Rural masses avoid banking services due to high bank charges. Customers avoid online banking due to security threat. The infrastructure of banks in rural India is very poor. Customers suffer due to digital fraud. Bank employees are not able to deliver banking facilities appropriately due to lack of training. Banks emphasize to enhance online banking habits among customers. Private sector banks emphasize on customer satisfaction more than public sector banks. The expectation of customers change with the advancement of technology. The study is based on primary and secondary data. Primary data has been collected from public and private sector banks. Secondary data has been collected from journal articles. In this paper, an attempt has been made to find out the problems and prospects of banking sector.

***Keywords**: Bank, Banking Sector, Banking Facilities, Customer.*

Introduction

Banking sector plays vital role in the development of economy. Banks provide banking facilities to urban and rural people. Both public and private sector banks emphasize on service quality for the improvement of customer satisfaction. Customer satisfaction is the prime concern of banks to survive in the dynamic and competitive environment of banking sector. Customer satisfaction depends on several factors such as security, cost, accessibility etc. The advancement of technology has compelled banks to improve service quality to survive in the banking sector. The infrastructure of private sector banks is better than public sector banks. Many customers suffer due to digital fraud. Customers avoid online banking due to security threat and poor internet service. Rural people suffer to avail banking facilities due to poor infrastructure of banks. Rural masses suffer due to inadequate number of bank branches in rural areas. Online banking facilities of private sector banks are better than public sector banks. The employees of banks should be properly trained so that they can deliver banking facilities efficiently to the customers.

Literature Review

Technology has brought revolution in the banking sector in recent years. the trust of people has significant impact on banking sector (Kapparashetty, 2020). Banks provide basic banking services such as accepting deposits and providing loans. Banks provide banking facilities to people with modern technology (Iqbal and Qazi, 2017). Banking sector is facing challenges due to various matters such as technological problems, customer service, risk, management system etc. Banks face difficulties due to non performing assets (Sharma and Shekhar, 2015). Banks play essential role behind economic development. Banks provide fund and support to socially and environmentally responsible organizations (Huang et al., 2023). Employees play vital role in every organization. Working conditions in commercial banks have immense impact on the performance of employees (Adah et al., 2020). Commercial banks emphasize on efficiency in service for customer retention. Customer service is vital for growth of business in competitive banking scenario (Kamboj et al., 2022). Banks perform various services such as receive subscription funds, purchase of securities, collect bills for Government departments etc. Banks guide the customers about the investment of their money (Goud, 2021). The major functions of banks are distribution of loans and mobilization of deposits. Banking system in India include commercial banks, co-operative banks, development banks (Rehman and Lakshmi, 2024). Banks identify fraudulent activities by using artificial intelligence. Artificial intelligence helps in cutting costs in banking transactions (Svoboda, 2023). Banks deal with loan distribution and deposit collection. Expansion of private sector depends on reformation of banking sector. Commercial banks are divided into several parts such as private banks, nationalized banks and regional rural banks (Sah, 2024). Reserve Bank of India regulates the banking sector. The concept of banking is changing due to digitization (Sreenivasamurthy, 2022). The use of mobile devices in banking transactions has increased in recent years. Banks provide basic banking facilities such as receiving deposits and disbursing loans (Singh, 2023). The future of banking sector is under threat due to change in expectations of customers. Mobile banking have made banking system convenient for customers (Jhamb, 2022). Banking sector is undergoing transformation due to development of technology. Banks use artificial intelligence to enhance service quality. Banks are using modern cyber security technologies to protect the customers from digital fraud (Kavitha, 2024). Digitization has changed the banking sector in India in recent years (Padhy, 2023). Banking scenario in India has changed due to growing competition in banking sector (Purbey, 2020). Rural people face difficulties to avail banking facilities. Banks suffer due to non performing assets. Banks are forced to concentrate on internet banking due to digital development (Roy et al., 2023). E-banking enables customers to avail services such as checking account balances, applying for loans, transferring funds between accounts (Subedi and Adhikari, 2024). Digital banking has various advantages such as reduction in human error, reduction of cost for banks and customers (Anthony, 2017). Employee skills are important factors to survive in the competitive scenario of banking sector (Takeed et al., 2024). Banks play essential role to promote trade, commerce and industry (Samuel et al., 2024). The development of e-banking industry in India is very significant (Yuvaraj et al., 2023). Banks focus on efficiency and transparency for the development of customer satisfaction in commercial banks (Ghimire and Agarwal, 2024). Banks analyse customer reviews for the development of products and services (Sharp et al., 2024).

Objectives of the Study

The objectives of the study are as follows:

- To analyse various aspects of banking sector.
- To analyse the problems of banking sector.
- To find out the prospects of banking sector.

Methodology

The study is based on primary data and secondary data. Primary data has been collected from public and private sector banks. Primary data has been collected from urban and rural areas. The sample size of the study is 200. 66% of the respondents are male and 34% of the respondents are female. 27% of the respondents are between the age of 21 years to 30 years. 35% of the respondents are between the age of 31 years to 40 years. 18% of the respondents are between the age of 41 years to 50 years. 12% of the respondents are between the age of 51 years to 60 years. 8% of the respondents are above 60 years of age. 23% of the respondents have studied upto class twelve. 71% of the respondents have studied upto graduation. 6% of the respondents have studied uptopost graduation. 68% of the respondents are service holders. 28% of the respondents are businessmen.

Limitations of the Study

The limitations of the study are as follows:

- The study is based on few banks.

- The study has been conducted among limited number of bank customers.
- The study deals with few problems of banking sector.

Data Analysis

Public sector banks are not able to deliver banking facilities properly due to inadequate number of employees. 87% of the respondents agree that the number of employees in public sector banks should be increased. Banks are facing challenges due to rapid technological advancement. 73% of the respondents agree that public sector bank are not able to adjust with rapid technological advancement. Many customers suffer due to digital fraud. 77% of the respondents agree that customers suffer due to digital fraud in banking sector. Private sector banks are more effective in providing banking facilities than public sector banks. 92% of the respondents agree that private sector banks deliver banking facilities more effectively than public sector banks. Customers face difficulties to avail loans from banks due to complicated rules and regulations. 64% of the respondents agree that customers suffer to avail loans from banks due to difficult rules and regulations. People suffer more to avail financial assistance from public sector banks than private sector banks. 89% of the respondents agree that customers suffer more to avail financial assistance from public sector banks than private sector banks due to banking procedure of public sector banks. Public sector banks are facing challenges to compete with private sector banks. 68% of the respondents agree that public sector banks cannot compete with private sector banks due to lack of technological support. Customers suffer to avail banking facilities due to high bank charges. 93% of the respondents agree that the bank charges of private sector banks are more than public sector banks. People avoid bank loan due to high interest rate. 64% of the respondents agree that many people donot avail bank loan due to high interest rate. Banks are facing challenges due to change in customer expectations. 77% of the respondents agree that private sector banks are more competent to provide banking facilities according to customer expectations than public sector banks, customers suffer due to technological disruption. 89% of the respondents agree that customers suffer more in public sector banks than private sector banks due to technological disruption. Customers suffer due to difficult rules and regulations of banking system. 72% of the respondents agree that the rules and regulations of public sector banks are more difficult than private sector banks. Rural masses are not interest to avail banking facilities due to complicated procedure of banking system. 87% of the respondents agree that rural customers suffer more than urban customers to avail banking facilities due to difficult procedure of banking system. Rural masses face difficulties to avail banking facilities due to poor infrastructure of banks in rural areas. 96% of the respondents agree that rural customers suffer more than urban customers due to poor infrastructure of banks.

Discussion

Public and private sector banks are facing challenges to complete with foreign banks. Technological advancement has compelled banks to adopt modern technology to survive in the competitive environment of banking sector. Rural banks are far away from modern technology. Private sector banks operates mostly in urban areas. Rural masses depends on public sector banks. The infrastructure of public sector banks are very poor. The customers suffer a lot due to poor service quality of public sector banks. Public sector banks face difficulties due of dearth of employees. Public sector banks should increase the number of bank branches in rural areas. The rural masses of remote areas suffer to avail banking facilities due to poor internet service. Rural people are not availing banking facilities due to high bank charges. Both public and private sector banks should take proper steps to increase online banking habits among customers. Banks emphasize on online banking to increase the level of customer satisfaction. The employees of banks must have proper technological knowledge to deliver banking facilities to customers through online banking.

Conclusion

Customers suffer to avail banking facilities due to poor infrastructure of banks. Rural people avoid bank loans due to high rate of interest. Banks must adopt advanced technology to survive in the competitive and dynamic environment of banking sector. The foreign banks have significant impact on banking sector in India. Customer satisfaction is the major concern of banks. Customer satisfaction plays key role behind customer retention in both public and private sector banks. Customers face difficulties due to complicated procedure of banking system. Many people are not able to avail bank loans due to complicated rules and regulations. The expectations of customers change with the development of technology. Private sector banks deliver banking facilities more effectively than public sector banks. Customer satisfaction depends on the service quality of banks. The service quality of private sector banks is better than public sector banks. Banks must emphasize to increase banking habits among rural masses. Rural people depends on public sector banks for financial assistance. The employees of public sector banks must deliver banking facilities properly to the rural customers.

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