

# Recent trends in Indian banking sector

**Dr. P. Sujatha**

Lecturer of economics, New Science College,  
Ameerpet, Hyderabad

## Introduction

Today we are having a family well developed banking system with different classes of banks- public sector banks, foreign banks, private sector banks, RRBs and Cooperatives banks. The RBI is at the paramount of all the banks.

## Objective of the study

- To study about the (CRM & FDI) in banking sector.
- To highlight about, the challenges faced by the Banking sector.

## Methodology

The study is based on secondary data. The data is collected from books, articles, journals and internet. It is purely a descriptive study. The need of study is have an idea about CRM & FDI.

Information Technology plays an important role in the banking sector as it would not only ensure smooth passage of interrelated trans over the electric medium, but will also facilitate complex financial product innovation and production development. The application of IT & e- banking is becoming the order of the day with the banking system heading towards virtual banking.

## Customer Relationship Management

Customer relationship management is a process in which a business or other organisation administers its interactions with customer, typically using data analysis to study large amount of information opportunities, record service issues, and manage marketing campaigns, all in one central location — and make information about every customer interaction available to anyone at your company who might need it.

Customer relationships are the backbone of a successful business. They're the connection between your brand and your customers, encompassing all the history of interactions between both parties and the foundation for future transactions. Those past interactions often dictate the likelihood of future ones too..

## Objectives of CRM

- Creating value for the customer.
- Creating value for company over a longer term
- Organisation to gain competitive advantage
- Increase efficiency
- Lower marketing cost
- Aiding the department

## Benefits of CRM

- Effective and efficient operation
- Reduced costs
- Increased customer satisfaction
- External growth in number of customers
- Increased access to a source of market and competitor information.
- Long term profitability and sustainability
- Increased revenue
- Expect immediate, high quality personalised 24/7 service.

Banks have readily embraced CRM with sharp focus on customer centricity, facilitated by the availability of superior technology. CRM, therefore, has become a new mantra in service management, both relationship and information wise.

## Foreign Direct Investment

A foreign direct investment refers to a purchase of a particular organisation's interest by another foreign organisation. Such an organisation or investor is located in a different country than the organisation whose interest is purchased.

### Features of FDI in India are

- Maximum FDI permitted in Indian private sector banks is 74% under the automatic route which includes Portfolio Investment i.e. FII's, &NRI's, initial Public Issue, private placements, ADR/GDR & Acquisition of shares from existing shareholders.
- Maximum FDI permitted in Indian public/ nationalised banks is 20%.
- Automatic route is not applicable to transfer of existing shares in a banking company form residents to non- residents.
- A foreign bank or its wholly owned subsidiary regulated by a financial sector regulator in the host country can now invest up to 100% in an Indian private sector bank.

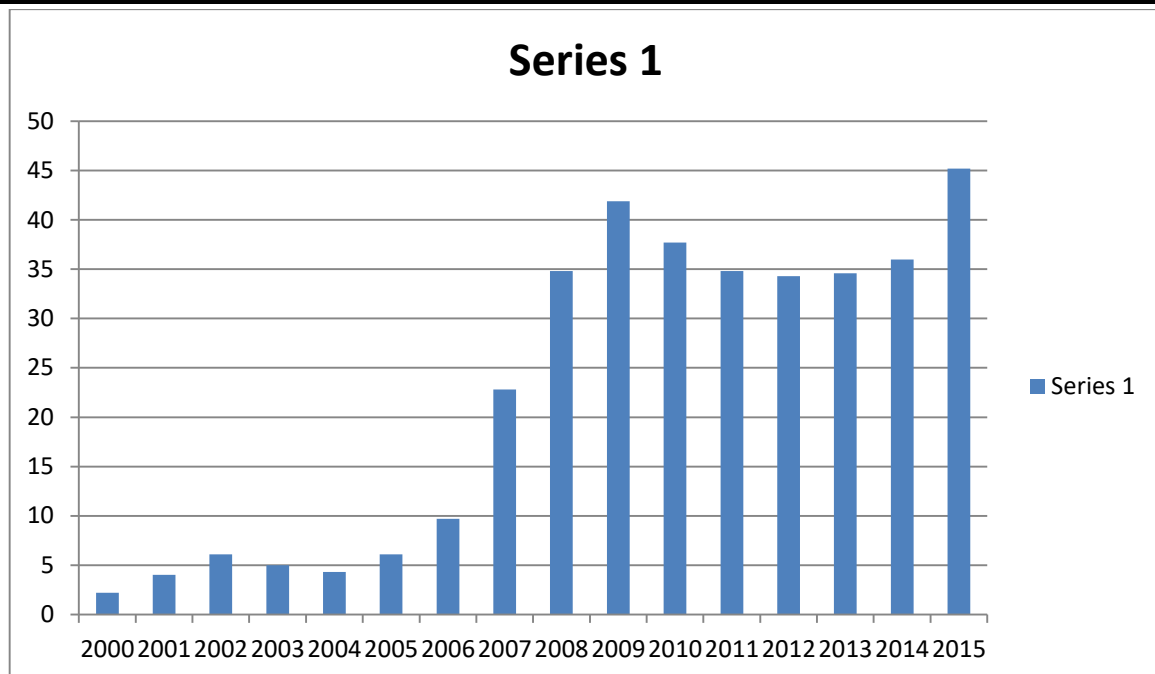
### Benefits of FDI

- Transfers of technology from overseas countries to the domestic market.
- Ensure better and improved risk management in the banking sector.
- Assures better capitalisation.
- Offers financial stability in the banking sector in India.

**Table – 1 Recent trends in FDI**

S.No	Year	Figures in dollar Billion
1.	2000	2.2
2	2001	4.0
3	2002	6.1
4	2003	5.0
5	2004	4.3
6	2005	6.1
7	2006	9.7
6	2007	22.8
7	2008	34.8
8	2009	41.9
9	2010	37.7
10	2011	34.8
11	2012	34.3
12	2013	34.6
13	2014	36.0
14	2015	45.2

Source – RBI



### Major challenges faced by banks

- Increased competition from domestic and international markets.
- Transactions costs of carrying non-performing assets & substandard assets in its books.
- Frequent changes in key policy rates & reserve requirements by the RBI.
- Maintaining sufficient liquidity.

### Conclusion

Customer Relationship Management (CRM) is software that manages and monitors business operations to improve customer experience. It has now become a must-have for enterprises of all sizes as has the ERP system became for managing supply chain activities. With the implementation of the CRM software, the companies can reach out to their customers and provide tailored customer services as per the requirement. Customer Relationship Management has become the operational core of a much larger market around customer engagement. The CRM software market is the biggest software market in the world. There has been a growth in the CRM market due to rapid digital transformation. Rapid digital shifts significantly rely on CRM and other integrated technologies that offer enhanced customer satisfaction. However, the increasing security threats over CRM stored data may hamper the growth of CRM.

In the days to come, banks are expected to play a very useful role in the economic development & the emerging market will provide ample business opportunities. Human Resource Management is assuming to be of greater importance. As banking in India will become more and more knowledge supported, human capital will emerge as the first assets of the banking system. Ultimately banking is for people, not just in figures.

To conclude it all, the banking sector in India is progressing with the increased growth in customer base, due to the newly improved and innovation facilities offered by banks. FDI has provided a great fillip to the whole of banking sector industry as banks are now competing at a global level.

### References:

- Media Reports, Press releases, Reserve Bank of India, Press Information Bureau.
- Muraleedharan, D. (2014) - "Modern Banking: Theory and Practice", second Edition, PHI Learning Private Limited, Delhi
- Kumar, Sunil, Gulati, Rachita (2013) - "Deregulation and Efficiency of Indian Banks."
- Rubina Muezzi , The Indian Banking Sector : Recent Developments, Growth and Prospects (2013)
- Books and RBI periodicals