



# Role Of New Trends In The Development Of Indian Banking Sector

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## Abstract

We have currently a well-developed banking system with many classes of banks including public sector banks, foreign banks, private sector banks, old and new generation, regional rural banks and cooperative banks, with the Reserve Bank of India serving as the central bank in the country. There has been extraordinary expansion and diversification in banking to an extent unmatched anywhere in the history of banking in the world. Bank assets account for more than 80% of total financial sector assets in most developing countries, although comparable ratios are much lower in established economies. The five largest banks (typically domestic) account for more than two-thirds of banking assets in most emerging market countries. In industrialized economies, these numbers are significantly lower. Another difference between the banking industries of established and developing countries is the degree of internationalization of banking activities. Internationalization, defined as the share of foreign-owned banks in total bank assets, is significantly lower in developing countries. However, this tendency is not consistent across global regions. In the past few decades, the banking sector has undergone a number of important changes. One of the most significant is the shift in the type of companies that dominate the landscape. Since, the 1980s, banks have expanded the scale and scope of their operations, with several becoming very large institutions with a presence in multiple regions of the country.

**Keywords:** New Trends, Banking Scenario, Opportunities, Banking Development,

## INTRODUCTION

Banks play a significant role in the economic growth of developing countries. Economic development requires investment in various economic areas. Banks raise funds to invest in various initiatives. Banks provide their clients with agency services and contribute to the economic development of the country. The Ministry buys and sells securities and stocks, makes payments, accepts subscription funds and collects utility bills. Banks help busy individuals save time and energy. Foreign exchange is provided by the bank for trade relations with other nations. The banking sector does more than collect money; it also advises customers on how to invest their money. Today's banking industry has launched several projects aimed at improving customer service using modern technology. The banking sector reflects the larger economy; its connection to

all sectors makes it a proxy for what is happening in the economy as a whole. The Indian banking industry now shares the same sense of excitement and possibility as the Indian economy. Current trends in global markets provide several prospects for the banking industry. In the competitive banking world, the most important tool for greater growth is the daily improvement of customer service.

The bank provides several ways to access their banking and other services.

## Review of Literature

Garg(1994) contemplated that Indian booked business banks have accomplished astounding advancement in last two decades under study, especially in branch development in rural areas, credit deployment to the essential sectors, deposit mobilization. Banking sector reforms is an essential part of the economic development of the country. The reform involved the liberalization of interest rates, promotion of market based system of credit allocation, enhancing competition.

## Need of the Study

The need of the study arises to know India is a developing country. To achieve the economic development in the country, it is necessary to grow the banking sector. For this, latest coming trends should be used.

## Objectives of the study:

1. To study the recent trends in changing banking scenario.
2. To study the opportunities the banks in changing banking scenario.

## Methodology of the Study:

This study is based on the secondary source of data.

**Secondary data:** The secondary sources of data are banking books, annual reports of RBI, internet (websites) and research papers etc.

## New Trends:

For banks and financial organizations, creating an organizational design that creates intellectual capital has been a huge challenge. This is especially true now that we are witnessing the fastest acceleration of so-called "creative destruction" in the history of the financial industry. New structures emerge as a result of a process of creative destruction. Managers of the "new generation" may have a more challenging role here than managers of the past.

A position that requires more than the "integrity and prudence" that characterized the banker in the past, and one that increasingly focuses on managing "competitive imperatives." What exactly do we mean by the term "new generation"? What distinguishes the current generation from the old one? What has changed and is changing? And does it really matter? A generation is often used in the measurement of time to refer to the period around 23 to 30 years during which most individuals become adults and have offspring. In another sense, the term generation refers to a shared identity that emerges through shared experience.

Consequently, the identity of "next generation" managers would emerge from a shared experience of the changing world around us, a product of a wider historical context. To understand this better, we consider Indian banking. The first was the enactment of the Banking Regulation Act, 1949, which created a comprehensive and formal framework for banking regulation and supervision in India. The second such turning point in our country was the nationalization of banks. It spawned the forces that took banking from the elite class to the masses.

This has led to the creation of vast infrastructure across the geographical expanse of the subcontinent, thus being a critical enabler for the financial reach of institutions and the empowerment of the common man. The financial sector reform initiative that began in the early 1990s was the third inflection point in banking. These reforms heralded a significant shift in the way Indian banks operated and functioned. The changed environment, as well as internal pressures resulting from increased competition and the need to improve their market share / profitability, have created a drive for greater efficiency and the need to reposition them with respect to the realities of the environment and internal strengths and weaknesses.

This period also coincided with the beginning of the Knowledge Revolution, which ushered in a massive third wave of economic, technological and social change, as famously described by Alvin Toffler, and continues to force businesses to operate in radically new, ever-changing ways. Every vestige of industrial-era thought is re-examined and reformulated. When the old paradigm falls and the new one is not yet fully established, we get amazing bursts of creative thinking. This can be such a time. What will the future bring? One thing is certain: the future will not be a repeat of the past. Instead, it will be a series of breaks. The fascinating aspect of discontinuity is that it creates opportunity. We live in an unprecedented time of opportunity. However, with great power comes great responsibility.

It's up to the managers of tomorrow to carve out their own niche, to know when to pivot and to stay engaged and productive throughout. To achieve things successfully, one must develop a comprehensive self-awareness, including not only one's talents and shortcomings, but also how one learns, works with others, what one's values are, and where one can make the greatest impact. For true perfection can only be achieved by acting from our strengths.

A new, more dynamic, aggressive and demanding work culture is needed to meet the demands of customer relations, product differentiation, brand values, reputation, corporate governance and regulatory requirements. Understanding and dealing with challenging transitions is critical for new managers in developing organizational strategy. Understanding these trends can help map the capabilities that the next generation of managers may need to transform the challenges of a changing environment into opportunities.

## Present Banking Scenario:

Balance sheet expansion of scheduled commercial banks (SCBs) slowed in 2009–2010, with some slippages in asset quality and profitability. Bank lending increased by 16.6 percent year-on-year in 2009-10, but began in October 2009 with the onset of the economic downturn. The ratio of gross non-performing assets (NPAs) to gross advances for all SCBs rose from 2.25 per cent in 2008-09 to 2.39 per cent in 2009-10. Despite some of the side effects of the global financial crisis, Indian banks have weathered the storm and remained strong and healthy in the post-crisis period. Indian banks are currently outperforming regional banks in terms of growth, profitability and loan growth delinquency ratios. Banks generally have a streak of innovation, expansion and wealth creation. However, due to their low penetration compared to other markets, this process of bank growth needs to continue to meet the broader demand for financial inclusion through the expansion of banking services. Banks managed to increase profitability and asset quality in 2010-11. According to the stress tests, the banking sector was moderately resistant to liquidity and interest rate shocks.

However, there have been concerns about the stability of the banking sector due to disproportionate credit growth in sectors such as real estate, infrastructure, NBFCs and retail, persistent asset-liability mismatch, higher provisioning requirements and reliance on short-term loans. asset growth. Nowadays, banking plays a key role as one of the most important and widespread service sectors. With over 110 million people, India has the largest economy in the world.

Currently, the service sector in India accounts for half of India's GDP and banking is the most popular service sector in India. The essential role of the banking sector is essential to accelerate social and economic growth. The current financial environment offers several options. As a result of the global financial crisis, we have seen many ups and downs in the banking sector over the past few years. The Government of India, the RBI and the Ministry of Finance have made some important attempts to strengthen major aspects of the banking system. Many of the biggest banks in the market have taken advantage of new laws and regulations such as CRR, interest rates and special incentives for consumers such as zero balance account opening. - The Indian financial sector is about to enter a whole new era.

This will allow the financial system to strengthen in the future. Banks operate with smaller spreads due to deregulation and the main focus is on consumerism and how consumers are tied to and remain loyal to the bank. As a result, banks are now diversifying into non-banking goods such as insurance, where there are huge prospects.

## New Trends in Indian Banking Sector:

Latest trends in banking

- **Automatic Teller Machine (ATM):** An ATM is the most common device in India that allows users to withdraw money 24 hours a day, seven days a week. It is a gadget that allows customers using ATM cards to perform standard banking operations without having to deal with a human teller. In addition to cash withdrawals, ATMs can be used to pay utility bills, transfer funds between accounts, deposit checks and cash into accounts, check balances, and more.

- **Telebanking:** Telebanking allows customers to perform all cashless banking transactions over the phone. An automated voice recorder is used for basic inquiries and transactions. Managed telephone terminals are used for complex searches and transactions.

- **Electronic Clearing Service (ECS):** ECS is a retail payment system that can be used to make bulk payments/receipts of a similar nature, especially if each individual payment is recurring and of relatively small value.

This facility is intended for bulk payments made/received by businesses and ministries, rather than individual financial transfers.

**Electronic Funds Transfer (EFT):** EFT is a method in which anyone who wants to make a payment to another person/company/etc. can go to his bank and make a cash payment or give instructions/authorization to transfer monies straight from his own account to the receiver/bank beneficiary's account. When requesting such transfers, complete data such as the receiver's name, bank account number, account type (savings or current account), bank name, city, branch name, and so on should be provided to the bank so that the money reaches the recipients' accounts accurately and quickly.

- **Real Time Gross Settlement (RTGS):** The Real Time Gross Settlement system, which was established in India in March 2004, is a mechanism that allows banks to send electronic instructions to transfer cash from their account to the account of another bank. The RBI maintains and operates the RTGS system, which allows for efficient and speedier money transfers across banks, hence facilitating their financial operations. Funds transmission between banks occurs in 'Real Time,' as the term implies. As a result, money can reach the beneficiary immediately, and the beneficiary's bank is responsible for crediting the beneficiary's account within two hours.

- **Point of sale system:** A POS terminal is a computer terminal that is linked online to the bank's computer files of customer information and a magnetically coded plastic transaction card that identifies the client on the computer.

During the transaction, the computer debits the customer's account and credits the purchase amount to the seller's account. Some of the new developments have been mentioned above. Today, I will emphasize the potential that new trends provide for the growth and development of the banking sector in our country.

## **OPPORTUNITIES:**

- **Online Banking:** Online finance is certain to expand with increased convergence in product offerings such as banking services, stock trading, insurance and loans based on data storage and data mining technologies. Anytime, anywhere banking will have to become popular and luxurious, such as banks offering specialized online banking services in addition to traditional banking services.

## **- Retail financing:**

Recently, banks have been using client segmentation to significantly assist the personalization of product portfolios. As a result, retail lending has become a focus, especially for financing consumer durables, homes, automobiles, and so on. Retail lending has also helped spread risk and boost banks' returns through higher rates of return.

- **Rural customers:** Rural India constitutes 70% of the total population and is a largely unexplored market for the banking sector. Banking services are available in all metropolitan areas, although only a few large villages have banks. Since most Indians still live in rural areas, banks need to reach out to all surviving communities.

-**Providing multiple channels:** To expand banking business, banks can provide multiple channels for customers to access their banking and other services such as ATMs, local branches, phone/mobile banking, video banking and so on.

-**Good customer service:** A bank's best brand ambassador for building its company is its customer service. Every interaction with a client is a chance to build consumer trust in the bank. With increasing competition, client service has become the backbone of evaluating the success of banks.

- **Customers from India:** The greatest potential of the Indian banking sector today is its consumers. Indian clients are increasingly looking for the right mix of equity and debt to finance expenses and build assets at a younger age to meet their life goals. It represents people in cities, towns and villages as well as in the countryside. Consumer goods companies are already taking advantage of this option; it is now up to the banks to seize the opportunity to provide solutions for this market.

**More opportunities:** There will be many more opportunities in the Indian banking industry in the future such as entering new businesses and markets, developing new working methods, improving efficiency and providing high quality customer service.

## Conclusion

In this context, a policy regarding financial services, especially banking, needs to be considered. It is worth noting that the WTO discussions on financial services have been conservative, with the commitments of many of the larger states in the banking sector being significantly reduced. In other words, banks appear to have a unique role in public policy regarding the subject of national ownership of financial intermediaries. There are some notable characteristics of bank ownership and control in all major economies – whether established or emerging. Almost all banks are either widely held or have significant state control. In addition, there are specific restrictions governing the extent of ownership, the type of ownership and control, and the legislative support for transfers of such ownership or control.

They are guaranteed because the banks are undoubtedly unique. WTO talks on commitments to open local banking sectors to foreign banks/ownership represent most of the major nations' concerns. "They remain special in terms of the specific functions they perform – as a repository of the economy's readily available liquidity, as a basic payment mechanism and as a primary source of non-market financing for much of the economy," Sir said. Eddie George, Governor of the Bank of England. And they remain distinct in terms of the specific characteristics of their balance sheets that are required to fulfill these roles, such as the mismatch between their assets and liabilities that makes banks uniquely exposed to systemic risk in the conventional

sense. They argue much more openly that banks cannot be treated the same as non-bank entities. "On the other hand, I am not convinced that the specific public interest in banking activities also applies to non-banking financial firms, despite the fact that distinct functional public interests definitely exist in many cases." According to the data, banks continue to play a significant role in financial intermediation in developing countries.

This is understandable for a number of reasons, including savers' need for a guaranteed income, insufficient capacity to manage financial risks, and the fact that banking institutions make varying degrees of use of deposit insurance and implicit or explicit government guarantees.

It is important to emphasize that financial crises inevitably lead to significant expenses for the government, regardless of whether the bank is publicly or privately owned, locally or internationally owned. The fiscal consequences of banking crises are independent of ownership. In this perspective, the crucial question is whether the function of banks in financial integration in industrialized countries differs from that in emerging market economies. It is useful to compare the structural differences in the banking sector between developing and established economies. Bank assets account for more than 80% of total financial sector assets in most developing countries, although comparable ratios are much lower in established economies. The five largest banks (usually domestic) account for more than two-thirds of banking assets in most emerging market countries. In industrialized economies, these numbers are significantly lower. Another difference between the banking industries of established and developing countries is the degree of internationalization of banking activities. Internationalization is defined as the share of enterprises in foreign ownership. In developing economies, the share of owned banks in total bank assets is considerably lower. However, this tendency is not consistent across global regions.

Finally, the consolidation trend has been a key feature of banking in established and emerging countries, especially in recent years. The most striking difference between consolidation processes in advanced and emerging economies is the predominance of cross-border mergers and acquisitions in emerging economies. Cross-border mergers in continental Europe, as well as between US and European institutions, have been the exception rather than the rule. In contrast, foreign ownership of several banks in emerging markets has increased dramatically as a result of the privatization process that is often associated with crises.

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