

**Miss. Neha Agrawal**

*Student MBA 2<sup>nd</sup> Year (Finance) SSR IMR, Silvassa – Permanently Affiliated to SPPU, Pune*

*Email: [nehaagrawal181@gmail.com](mailto:nehaagrawal181@gmail.com)*

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**Abstract**

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*Banking industry over the last decade has made it stronger, faster, well-organized and is more competitive. From last many years banking sector has been reform in a better manner. Banking industry has been provided with some innovative products to the customers. The use of technology has brought a rebellion in the working style of the banks and it has pervaded each and every aspect of human life and drastic manner. By bringing internet banking, mobile banking and other services is helpful for the customer and bank has made it easy and convenient for the customer to use it. It helps the customer to save their time and energy and they can do their transaction in a second without finding any difficulty.*



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**THEME RELATED INTRODUCTION:**

**Introduction**

The rapid transformation in the banking industry over the last decade has made the industry stronger, cleaner, transparent, proficient, faster, well-organized and a lot more competitive. The finance industry in India has a huge appeal of history, which covers the out-of-date banking practices from the time of Britishers to the reform period, nationalization to privatization of banks and now growing numbers of foreign banks in India. Therefore, banking in India has been through and micro financing are two entrances for the Indian banks to grow and compete with international banks.

The advancement in the Indian banking system is classified into 3 distinct phase

**1. The pre-independence Phase i.e. before 1947**

This period is characterized by the presence of a large number of banks (more than 600). Banking system inaugurated in India with the groundwork of Bank of Hindustan in Calcutta (now Kolkata) in 1770 which ceased to operate in 1832. After that many banks came but were not successful like: i) General Bank of India (1786-1791) ii) Oudh Commercial Bank (1881-1958) the first commercial bank of India. While some others like Bank of Bengal 1806, Bank of Bombay (1840) Bank of Madras (1843) merged into single entity in 1921 which came to be known as Imperial bank of India. In April 1935, Reserve Bank of India was

formed based on the endorsement of **Hilton Young Commission** (set up in 1926). In this time period, most of the bank were small in size and suffered from a high rate of failures. As a result, public confidence is low in the banks and deposit conscription to rely on the unorganized sector.

## **2. The Second Phase from 1947 to 1991**

Broadly the main characteristics features of this phase is the Nationalization of the bank. With the view of economic forecasting, nationalization emerged as an effective measure. The recommendation of the Narsimham Committee, Regional Rural Banks were formed on Oct 2, 1975. The objective behind the formation of RRBs was to serve the large unserved population of rural areas and encouraging financial inclusion.

## **3. Third Phase 1991 and beyond**

This period saw remarkable growth in the process of expansion of banks with the liberalization of economic policies. Even after nationalization and the subsequent regulations that followed a large portion of masses is undamaged by the banking services. Considering this, in 1991 the Narsimham Committee gave its recommendation i.e. to allow the entry of private sector players into the banking system. In 1998, Narsimham Committee again the endorsement the entry of more private players. In order to further financial inclusion, RBI also proposed to set up 2 new kinds of banks i.e. Payment Banks and Small Banks. In 2015, RBI gave in-principle license to 11 entities to launch Payment Banks and granted in-principle approval to the 10 applicants to set up Small Finance Banks.

The rapid transformation in the banking industry over the last decade has made the industry stronger, cleaner, transparent, efficient, faster, well-organized, and lot more competitive. The banking industry in India has a huge canvass of history, which covers the traditional banking practices from the time of Britishers to the reform period, nationalization to privatization of banks and now increasing numbers of foreign banks in India. As per Reserve Bank of India (RBI), India's banking sector is adequately capitalized and well regulated. The financials and economic conditions in the country are far superior to any other country in the world. Credit, market and liquidity risk studies suggest that Indian banks are generally resilient and have withstood the global downturn well. Rural banking and micro financing are two gateways for the Indian banks to grow and contest with international banks.

Indian banking industry has recently observed the roll out of innovative banking models like payments and small finance banks. RBI's new measures may go a long way in helping the reformation of the domestic banking industry. The custom of technology has brought a revolution in the working style of banks and it has diffused each and every aspect human life in a drastic manner. Advent of anytime, anywhere banking has developed conceivable due to technology adoption. Life has rehabilitated enormously due to gadgets and utilizations becoming easy to use and that too, in affordable prices.

The 1960s witnessed the first trend of nationalization of some of the 14 largest commercial banks. The 1980s saw the second wave wherein 6 more banks were nationalized. Things began to change during the liberalization in the 1990s. Under the influence of liberalization, the government provided a license to a few private banks like UTI (Axis Bank), ICICI, HDFC, and Oriental Bank of Commerce. The markets were now opened to International banks. These banks were known as new age banks, using tech-savvy methods to function. This shook the banking system of India.

Meanwhile, India was preparing for the IT revolution that took the banking sector by a storm. This shaped a need for Private and Public sector banks to adopt the Core Banking system, which led to planned and inclusive computerization of banking operations. Moving forward, the 90s witnessed the adoption of modern payment systems, securities settlement, cheque clearing, Electronic Funds Transfer, Cheque Truncation System, installation of Automated Teller Machines and other modern methods of banking.

#### **SUB THEMES / CASE DISCUSSION:**

The use of technology has brought a rebellion in the working style of the banks and it has pervaded each and every aspect of human life and drastic manner. Beginning of anytime, anywhere banking has become possible due to technology embracing. Life has changed immensely due to gadgets and utilizations becoming easy to routine and that too, in reasonable price.

#### **Innovative Banking**

Innovation means doing something new or something which is not done before or in the past. The same drives with the banking sector. There are many segments in the bank in which something new has been done or have gone through innovation in recent past. Therefore,

increasing business avenues and capturing the new market banks are renovating through the innovation. There are many banking amenities which bank has started in the modern years.

These are the following types of innovative banking:

### **1. Internet Banking**

Internet exposure in the last few years has increased drastically. This facility is online banking, web banking, or virtual banking. Thus, this banking service allows its operators to accomplish and implement any financial transaction or service with the help of the Internet. The banking facilities are provided traditionally at a local bank outlet. This includes bill payments, a deposit of money, borrowing of money, and other services are all accessible at one place. This service happens with the use of the Internet facility. In India, ICICI Bank was the first bank to avail it's customers the facility of Internet banking. Online banking also allows banks to promote their products and services in a manner that it reaches out millions of customers. However, in order to use online banking, an individual will require access to the internet, which is scarcely available in rural areas. Internet banking can also be retrieved via mobile phones which have a data 3G/4G connection. Most online payments are done via internet banking option. It has become one of the most opportune payment methods for transferring money. Most banks have created their own apps that can be downloaded on the phone and used any time. Through mobile devices, users can make dealings through mobile apps, net banking facilities, or internet fund transfer services such as IMPS (Immediate Payment Services), NEFT (National Electronic Fund Transfer), and RTGS (Real-time Gross Settlement).

### **2. Mobile Banking**

Mobile banking started in India in 2002, and back then, all the transactions are carried out through SMS. Mobile banking began an off shoot of internet banking to further convenience and ease of access. Now-a-days almost all banking transaction is carried out through Laptops, computers or a smartphone. Everything from check account statement to paying credit card bills, utility bills and transferring fund online etc. can be checked with the help of mobile banking. In 2008 ICICI bank was the first bank who started the facility of mobile banking. Mobile banking has been a rebellion in the past few years. It has wholly changed the way banking systems are occupied. Thus, it is a system that allows customers to accomplish many types of financial related amenities through a smartphone. These include

services like ATM locations, bill payment alert, inter or intra-bank payments, bill payments, and many more. So, services are accessible at the fingertips of every person.

### 3. Retail and Wholesale Banking

#### Retail Banking

Retail banking is also termed as consumer banking. Commercial banking system associated with the general public and individual customer. Retail banking system aims to provide banking services like checking account, opening accounts, saving accounts, loans, debit card and credit card. It excludes companies, businesses, and corporations which may need more complex solution. The beginning of banking technology has seen a studied transformation in the functioning and procedures of retail banking in India. The banks have adopted the latest technology to reach out to clients, fulfil their needs and opportunities, learn customer behaviour, increase productivity, staff efficiency, increase sales and manage money. Various retail banking services provided by banks include a range of financial products that can be classified as retail deposit products, loan services, and payment services. Following are a few retail banking solutions and services offered by banks to its consumers.

- **Savings Bank Accounts:** This is a type of bank account that customers can open at a bank, providing retail banking services to deposit money and obtain interest on it.
- **Current Account:** Some other terms used to refer to this type of bank account at a retail bank are: checking account, transaction account, and demand deposit account. It is made available to the account holder as per their demand. The account holder can also make numerous transactions through it.
- **Debit Card:** It is a plastic payment card that is used instead of cash to make payments at ATMs and other places. Most of the banks afford this card for each current or savings account.
- **Credit Card:** Just like debit cards, this is a plastic card to make payments instead of cash. Banks permit cardholders to make the payments on credit with a ability to pay the bank the amount spent and agreed on additional charges.
- **ATM Cards:** These cards are restricted to withdraw and do other transactions at ATM. Some other products offered by retail banks to the individuals include term deposit account, fixed deposit, recurring deposit account, zero balance salary accounts, and savings account for senior citizens at a higher rate of interest.

- **Loans:** Banks lend money to their customers for various purposes. Loans in India through retail banks include home loans, auto loans for new/used vehicles, consumer loans, education loans, crop loans to farmers, business loans for small scale businesses.

### **Wholesale Banking**

Wholesale banking refers to banking services among merchant banks and other financial institutions. This type of banking deals with greater clients, such as great corporations and other banks, whereas retail banking concentrations more on the individual or small business.

Wholesale banking services include currency conversion, working capital financing, large trade transactions, and other types of services.

Thus, in wholesale banking, trading houses, domestic companies, and multinational companies are included. So, there are many facilities which are included in the wholesale banking and these services are:

- Value-added services
- Fund based services
- Non-fund related services
- Internet banking
- Multinational and offshore banking

Multinational banking is the banks that are present-day in more than one country. The main services are existing in more than one country in these services. Thus, these banks are also called international banks. The first bank to offer its facilities outside India was Indian bank in 1946. Currently, Bank of Baroda has the maximum number of the overseas franchise in India. While under offshore banking, the banking activities are performed in the currencies that are different than the currency of the country in which the bank account is opened. The banking services in these banks remain the same nevertheless.

### **Narrow and Universal Banking**

Narrow banking includes keeping together the higher part of deposits in risk-free assets like government securities. In India, this is basically in presentation to reduce the size of the NPAs.

### **Bank Scams**

This was the major fraud done in bank in 2019. The commencement of the banking business of PMC taken place on February 13,1984. It functioned nicely and within a time of 35 years, the Bank has a wide network of 137 branches across six states. This bank has total deposits of

about Rs 11,617.34 crore. PMC has 1814 number of staffs and now this bank stands among top 10 co-operative banks of the country.

At the time of its establishment PMC was a cooperative bank but in 2000 it got the status of Schedule Commercial Bank by the Reserve Bank of India. PMC is the youngest bank to achieve the 'Scheduled Bank' status. The bottom of this bank fraud is that the higher management of the PMC bank has given huge loan to the Housing Development and Infrastructure Ltd (HDIL) and its collection of the objects. This fraud case is related to transfer of 70% of the total credit facilities of the PMC bank to HDIL and its associated companies. If I talk about the total amount of the bank fraud then it was Rs 4,355 cr. Now the total NPA of the bank has grown to 73%.

The PMC bank allegedly preferred to the sponsors of Housing Development and Infrastructure Ltd (HDIL) and allowed them to operate password protected 'masked accounts'. It is found that around 21,049 bank accounts were opened by bogus names to conceal 44 loan accounts. The bank's software was also tampered to secrete these loan accounts. This bank fraud situation is broken by a bunch of women employees of the recognition department of the PMC bank. These employees told to the RBI that they were conscious of the impression accounts. When this case came in the light; then customers of the PMC bank rushed to the PMC bank to withdraw their hard made money but they were refused to give their deposited money and withdrawal limit is set by the bank.

#### **STATING CASE DILEMMA / CONCLUDING PARAGRAPH:**

In the contemporary era, banking industry has come under pressure of increasing competition, become more contestable, more globalized, declined exit and entry barrier, highly deregulated, presence of asymmetric information lead banks to take more stringent focus on risk management. Traditional theories laid emphasize on information issues, imperfect markets, delegated monitoring and controlling the insurance role of banks, while modern theory emphasis banks as trading oriented or transaction oriented institutions. While lending a bank takes, manages and absorb risk namely credit, operational, interest rate, foreign exchange risk by issuing claims on its total assets with different characteristics. Indian banking system will further grow in size and complexity while acting as an important agent of the economic growth and intermingling different segments of the financial sector. It

automatically follows that the future of Indian banking sector depends not only on internal dynamics unleashed by ongoing returns but also on global trends in the financial sector.

### **TEACHING NOTES FOR THE CASE:**

#### **TEACHING OBJECTIVES:**

The following Teaching Objectives may be considered with respect to the case:

1. To understand the functioning of the Indian Banking Sector.
2. To study about the different products and services of the Banking Sector.
3. To study about the different phases of the Banking Sector.

#### **LEVEL OF ANALYSIS:**

The present case is a type of teaching case with focus on Appraisal Case approach. The analysis attracts understanding of perspective & dilemma surrounding the Indian Banking Sector. This case is suitable for the practical & case study approach at the level of Management Students. To be specific BBA students, B.COM students, M.COM students & MBA Students shall have a deserving benefit out of this General Management case. Industry at large will be a party to the benefits of the learning from the case.

#### **CASE ASSIGNMENTS:**

As part of the case study delivery, participants may be assigned certain tasks pre & post delivery of the case.

**Pre discussion Task:** Gather fair understanding on Indian Banking Sector through, reading journals & books in Library and through E-Sources.

**Post discussion Task:** Conduct review of further literature pertaining to the theme of the case. Post discussion schedule shall also include discussion round on a few questions pertaining to the case.

#### **BROAD DISCUSSION QUESTIONS:**

Q.1: Discuss the significance of the Banking Sector in Indian Context.

Q.2: "Banking Sector is providing different types of facilities to the customers." Enumerate the statement with relevant examples.

Q.3: "The Banking sector has experienced some twists and turns over the years." Discuss in the light of Ethical & Unethical practices adopted & respective results.

#### **READING REFERENCES:**

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The following references may be helpful in gaining further insights on the theme of the case:

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- **Joshi, D. K. (2012). Indian Banking Industry: Challenges and Opportunities. IJBRM.**
- **Parameswaran, R. (2001). Indian Banking Sector. New Delhi: S. Chand Publishing.**
- **Shahi, U. (2013). Banking In India. New Delhi: New Century Publication.**
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#### **POTENTIAL BENEFITS OF THE CASE:**

##### ➤ **Students of Higher Education:**

The Case benefits the students with the opportunity of pondering into the need & status of the Indian Banking Sector. The statistics presented in the case support the learning avenue of the students and anchors them to reach the focal point of discussion regarding understanding of the Indian Banking Sector.

##### ➤ **Benefits to the Banking Sector:**

The case will be beneficial for the banking sector as they will study the case they will get the answer regarding the scams and other products. The banking will get the detail answer about the innovation product and this case will also help to the public to know the detail about the bank.

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