

Challenges of Banking Industry in India

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Abstract

As it progresses towards digitization, the financial sector is currently experiencing major changes. There are still difficulties to be faced in the banking industry despite several technical advancements. For activities to be completed on a larger scale in the future, new approaches and ideas are required, with the client at the forefront. India is still in the early stages of e-growth banking's and development. The face of banking has changed as a result of evolving technologies and fierce competition. Electronic banking basically refers to the use of a computer to retrieve and process financial data and to start transactions with a bank directly over a telecommunications network. In other words, the future wave is banking. E-banking presents both new opportunities and challenges for the government in terms of controlling and overseeing the financial system as well as developing and putting into practise macroeconomic policy.

Key words: *Digitalization, revolution, and shifting technology in the banking industry.*

I. Introduction :

The only traditional banking duties are to take deposits and disburse loans and advances. The circumstance has drastically changed today. Banking is now referred to as innovative banking. With the aid of new technologies, banks nowadays are coming up with a variety of creative concepts aimed at improving client services. The Indian banking industry now shares the same sense of possibility and enthusiasm as the Indian economy. Customer service improvement is the most practical tool for their improved growth in the competitive banking market. Banks play a significant part in the economic growth of many nations, including India. Investments are necessary for economic development across a range of economic sectors. In typical banking, banks serve as agents for their clients and contribute to the nation's economic growth.

Banks arrange foreign exchange for the business transactions with other countries. Banks not only collect funds but also serve as a guide to the customer about the investment of money.

Objective's of the study :

- (a) To explain the changing banking scenario.
- (b) To identify the challenges for the Indian banking sector.
- (c) To study the opportunities for the Indian banking sector.

Present Scenario of Indian Banks :-

The present banking scenario provides a lot of opportunities as well as facing lots of challenges also. India is being fundamentally strong supported by concrete economic policies decision and implementation by the Indian Government. Today in India, the service sector is contributing half of the Indian GDP and the banking is most popular service sector in India. The significant role of banking industry is essential to speed-up the social economic development. To improve major areas of banking sector, Government of India, RBI and Ministry of finance have made several notable efforts. Many of leading rules and regulation such as CRR, interest rate, special offers to the customers such as to open account in zero balance. In addition to this, now a days banks are entered in non-banking products such as Insurance in which they have tremendous opportunities.

Challenges faced by banks :

(a) Increasing competition

The emergence of Fin. Tech./non-bank startups changing the competitive landscape in financial services, forcing traditional firm's to rethink their way to do business. Fin. Tech. has their way to success to provide a simplified and intuitive customer experiences.

(b) Cultural shift

In this era of digital world there's no room for manual processes systems like Artificial intelligence (AI) enabled wearables that monitor the wearers health to smart thermostats that enable you to adjust beating setting from internet-connected devices, technology has become ingrained in our culture and this extends to the

banking industry. This cultural shift towards a technology first attitude is reflective of the larger industry-wide acceptances of digital transformation.

(c) Regulatory compliance

Regulatory compliance has become one of the most significant banking industry challenges as a result of dramatic increase in regulatory fees relative to earnings and credit-losses since the 2008 financial crisis few of them are.

Basel III

Published in 2009, Basel III is a regulatory framework for banks established by the Basel Committee on Banking Supervision. Basel III's risk-weighted capital requirements dictate the minimum capital adequacy ratio that banks must maintain.

Dodd-Frank Act

Passed during the Obama administration the Dodd-Frank Wall Street Reform and Consumer Protection Act placed regulations on the financial services industry and created programs to prevent predatory lending.

CELL -

Created by the Financial Accounting Standards Board, the CELL is an accounting standard that requires all institutions that issue credit to estimate expected losses over remaining life of the loan, rather than incurred losses.

ALLL

In a reserve that financial institutions establish based on the estimated credit risk within their assets.

There are growing numbers of regulations that banks and credit unions must comply with. Compliance can significantly strain resources and is often dependent on the ability to complete data from disparate sources.

(d) Changing business models :

The cost associated with compliance management is just over of many banking industry challenges taking. The banking system to change their way of doing business. These all lead many institutions to create new competitive service offerings, rationalize business lines and seek sustainable improvement in operational efficiency to maintain profitability.

(e) Rising Expectation :

Customer demographics play a major role in these heightened expectations. Mobile banking user percentage is about 47%. There is a need for hybrid banking which satisfies the older generation's and younger generation at the same time. Investor expectations also must be accounted for because they need to know what they will receive in return.

(f) Customer retention :

Customer loyalty is a product of rich client relationships that begin with knowing the customer and their expectations, as well as implementing an ongoing client-centric approach using sentiment analysis and recognition of emotional clues they can quickly evaluate, escalate and route complex issues to humans for resolution.

(g) Outdated Mobile experiences :

A bank's mobile experience needs to be fast, easy to use, fully featured (think live chat, voice-enabled digital assistants, and the like). Secure and regularly updated in order to keep customers satisfied.

(h) Security breaches :

Security is one of the leading banking industry challenges as well as a major concern for banks and credit unions. Customers' financial institutions must invest in the latest technology-driven security measures to keep sensitive customer data safe. Examples include AVS (Address Verification Service), E2EE (End-to-End Encryption), (E2EE) for secure communications, Biometric authentication (mentioning unique biological characteristics), location-based authentication (to prove an individual identity), RBA (Risk-based authentication (Varying levels of stringency)).

(i) Antiquated application :

Like (AI) offers a significant competitive advantage by providing deep insights into customer behaviour and needs, giving ability to sell the right product at the right time to the right customer.

(j) Continuous Innovation :

Sustainable success in any business requires insight, agility, rich client relationships and continuous innovation. Cloud technology systems to evolve along with any business.

II. Conclusion :

Indian bank are trust worthy brands in Indian market, therefore these banks must utilise their brands equity as it is a valuable asset for them. Various challenges and opportunities like transparency, growth in banking sector global banking, managing technology etc. Banks have to strive very hard to deal with competition. The competition from global banks and technological innovation's all are the world compelled the banks to rethink their policies and strategies, finally the banking sector will need to master a new business model by building management and best customer service.

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