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Banking Sector In India

Dr. Mukesh R. Gareja
Asso.Prof. in Economics

Shri. K.H.Madhvani Arts & Com. College
Porbandar



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Introduction

As per the Reserve Bank of India (RBI), India's banking sector is sufficiently capitalised and well-regulated. The financial 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.

Indian banking industry has recently witnessed 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 restructuring of the domestic banking industry.

The digital payments system in India has evolved the most among 25 countries with India's Immediate Payment Service (IMPS) being the only system at level 5 in the Faster Payments Innovation Index (FPII).

Market Size

The Indian banking system consists of 27 public sector banks, 21 private sector banks, 49 foreign banks, 56 regional rural banks, 1,562 urban cooperative banks and 94,384 rural cooperative banks, in addition to cooperative credit institutions (FY17 data). In FY07-18, total lending increased at a CAGR of 10.94 per cent and total deposits increased at a CAGR of 11.66 per cent. India's retail credit market is the fourth largest in the emerging countries. It increased to US\$ 281 billion on December 2017 from US\$ 181 billion on December 2014.

Investments/developments

Key investments and developments in India's banking industry include:

- As of September 2018, the Government of India launched India Post Payments Bank (IPPB) and has opened branches across 650 districts to achieve the objective of



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financial inclusion.

- The total value of mergers and acquisition during 2017 in NBFC diversified financial services and banking was US\$ 2,564 billion, US\$ 103 million and US\$ 79 million respectively[@].
- The biggest merger deal of FY17 was in the microfinance segment of IndusInd Bank Limited and Bharat Financial Inclusion Limited of US\$ 2.4 billion[@].
- In May 2018, total equity funding's of microfinance sector grew at the rate of 39.88 to Rs 96.31 billion (Rs 4.49 billion) in 2017-18 from Rs 68.85 billion (US\$ 1.03 billion)[#].

Government Initiatives

- As of September 2018, the Government of India has made the Pradhan Mantri Jan Dhan Yojana (PMJDY) scheme an open ended scheme and has also added more incentives.
- The Government of India is planning to inject Rs 42,000 crore (US\$ 5.99 billion) in the public sector banks by March 2019 and will infuse the next tranche of recapitalisation by mid-December 2018.

Achievements

Following are the achievements of the government in the year 2017-18:

- To improve infrastructure in villages, 204,000 Point of Sale (PoS) terminals have been sanctioned from the Financial Inclusion Fund by National Bank for Agriculture & Rural Development (NABARD).
- Between December 2016 and March 2017, a major drive was undertaken to boost use of debit cards, resulting in an increase in the number of Point of Sale (PoS) terminals by an additional 1.25 million by 2017 end from 1.52 million as on November 30,



2016.

- The number of total bank accounts opened under Pradhan Mantri Jan Dhan Yojana (PMJDY) reached 333.8 million as on November 28, 2018.

Road Ahead

Enhanced spending on infrastructure, speedy implementation of projects and continuation of reforms are expected to provide further impetus to growth. All these factors suggest that India's banking sector is also poised for robust growth as the rapidly growing business would turn to banks for their credit needs.

Also, the advancements in technology have brought the mobile and internet banking services to the fore. The banking sector is laying greater emphasis on providing improved services to their clients and also upgrading their technology infrastructure, in order to enhance the customer's overall experience as well as give banks a competitive edge.

India's digital lending stood at US\$ 75 billion in FY18 and is estimated to reach US\$ 1 trillion by FY2023 driven by the five-fold increase in the digital disbursements