International Journal of Advances in Engineering and Management (IJAEM)
Volume 5, Issue 1 Jan. 2023, pp: 573-576 www.ijaem.net ISSN: 2395-5252

Banking System of India

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Date of Submission: 09-01-2023 Date of Acceptance: 19-01-2023

ABSTRACT
The purpose of the bank is to mobilize resources and convertthem into credit for investments across a range of industries, which keeps the economy moving. This study's goal is toevaluate the effectiveness of three Indian bank groups usingdatafrom theyears2009–2010 to2018–2019.
Design, method, and strategy Data envelopment analysis isused in the study to evaluate the effectiveness of the chosenbanks. It gauges effectiveness from both the revenue andsupply-sideperspectivesoffinancialinclusion.
Findings: According to the study, foreign banks operatesignificantly more efficiently on average than public- andprivate-sector banks. It shows that private and public sectorbanks in India are working at 90.20 and 86.04% efficiencylevels, respectively, whereas international banks are runningat92.53% efficiency.
Additionally, the Friedman test's findings show that there isnodiscerniblevariationintheefficiencyscoresofthesethreebank groups. Non-performing assets of the banking sectorshould be reduced by 15% as radial and 53.18% as slack arebigproblems.
Originality and worth - The present study may establish itselfas a unique investigation in the field of technical efficiency inmacroconcept by taking into considerationthreemajorbankgroups operating in India, in contrast to most of the priorstudies that are largely picked few banks and specialized group.
The study's classification of the causes of the inefficiency,such as management or the use of an improper scale size,and subsequent estimates of the input factors for the samelevelofoutputaresignificantcontributions.
Keywords: Commercial banks, financial inclusion, DataEnvelopmentAnalysis.

I. INTRODUCTION

The Reserve Bank of India has released data on the depositsand credit of scheduled commercial banks that offer usefulinsights into how banking activity is distributed throughoutthenation.

By no means is the concentration of bank branches in a fewmetropolitan and metro areas a recent phenomenon. Branchexpansion,particularlytoruralareas,wasnolongerapriority because the strategic plans were now driven by profitabilityconsiderations. Instead, banks preferred to concentrate inareaswith ahighpotential forbusiness.

The top 100 centers, ordered by the size of the credit,accountedfor78.5%ofallbankcreditasofMarch 31thisyear, while the top 100 centers, listed by the size of thedeposits, accounted for 69.2% of the total deposits. Diversetechnologies have been used to combat competition and,more crucially, lower transaction costs. It has made itpossible to launch new delivery channels like internet andmobile banking. However, its contribution to spreadingfinancial services throughout the nation has not beenadequately recognized. In a situation when the traditionalbranch banking model cannot be fully relied upon, it isevidentthatinclusivebankingmustbeaccomplished.

Business correspondents and others are already able todeliver many of the services now provided by a bank thanksto technological applications. These bank branches may beasked to provide newer services, such as those with adevelopment focus like the provision of subsidies andconditionalcashtransfers.

The Dodd-Frank Act's amendments to the Economic Growth,Regulatory Relief, and Consumer Protection Act were signedinto law. Notably, the asset thresholds for statutorysystemically important financial institutions (SIFIs) wereraised, providing the most relief to banks with assetsbetween$50billionand$100billion.Thesebanksaresubjectto enhanced prudential regulations, such as stress tests andcapitaland liquidity ratios.

OBJECTIVES AND SCOPE

1. To assess current trends and developments in the bankingindustry.

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2.To outline technological advancements in the Indianbankingindustry.
3.Consequencesofafewrecentpolicychanges.
4.Studying the expanding impact of FinTech and nonbanksseemstoacknowledgeeconomicprogress.
5.Studying the economic realities of that trading life inpreparationforthedigitalizationofpublicsectorbanks

RESEARCHQUESTIONS
1. What distinguishes credit risk management in thebanking industry from cyber risk management in thecontextofthegrowthofonlineandmobilebanking?
2.What cutting-edge features are being introduced tocreditand debitcards?
3.Internal Audit in the Banking Industry: What is theMachineLearningUseCase?
4.What approach is used to identify the banking sector'sproxyforfintech?
5.What is the newest corporate governance/dividendpolicystudyareasortopics?

II. LITERATURE REVIEW

NileshVitthalLimbore(2014), has found that the present Indian banking system is based on the nationalized banks. He argued that due to economic slowdown and changes in global environment the banks has to consolidate its operations and had to concentrate on performance.
ManishaDhiman(2018) has analyzed the impact of technology on the Indian banking system. She compared the pre reform banking period and after reform period.
Studies examining the profile of the banks have increasedsignificantly during the past ten years. To improve thefunctioning and operations of banks, several studies weredone and proposals were made. Here are a few of thestudies:The foundation of an economy's financial sector isthe banking system. Commercial banks play a significantrole in developing nations. Commercial banks are crucial tothe development of undeveloped nations through theimprovedmobilizationanddistributionofresources.
A commercial bank will accept a variety of deposits,including current, savings, securing, and fixed deposits. Itextends credit in a variety of ways, including loans andadvances, the discounting of bills, and investments inassets traded on open markets. In order to issue securitiesto the general public, it provides investment services suchasunderwritersand bankers.
In the context of a tight economy, the Indian bankingindustry was also operating. When India gainedindependence, its banking sector was in poor shape. Inorder to implement structural reforms in the bankingindustry,twosignificantactionsweremadein1949.The Banking Regulation Act gave the RBI broad control over thecommercial banks, and another was the nationalization oftheRBI.
The RBI was given undue power by the Banking RegulationAct. Commercial banks operate like any other businessentity in a free-market economy and make private profits;therefore, at the time of independence, it was believedthat their freedom did not fit with the socialistic structureof society. As a result, in 1969, these banks werenationalised to establish control over them. This studyaims to examine Indian banking changes and their effectsontheIndianfinancial system.
In the process of developing poor nations, banks arecrucial. Commercial banks stimulate people's inclination tosavebyprovidingenticingsavingplansandmaintainingthe security of deposits. These banks serve as a hub forinvestorsand customers.

III. METHOLODOGY

The study takes into account a 10-year period beginning in2009–2010 and ending in 2018– 2019. Starting with theaftermath of the financial crisis in 2007–2008, the analysistakes into account the intervals between the two crisisperiods. The financial crisis of 2007–2008, a serious globaleconomicdownturn,isoftenknownasthe"globalfinancial crisis." With the investment bank LehmanBrothers' demise on September 15, 2008, it furtherexpanded into a global banking crisis. Therefore, thepurpose of the current study is to look into how Indianbanks are doing following the financial crisis, whichoccurred between 2007 and 2008. Another crisis, known tous all as the Covid-19 epidemic, which affects everyindustry internationally, including the banking sector,arrived in 2020. Therefore, the main goal of this study is tocompare the efficiency levels of these two crisis periodsand to determine the efficiency trend between 2009–2010and2018–2019.
The 18 PSBs that existed as of March 2019—following thepost-mergers of BOB, VIJ, and DENA earlier this year—werealltakenintoaccountinthecurrentstudy.
Additionally, starting in April 2017, SBI merged with itself,its five associates, and BMB. There were 27 PSBs inexistence prior to 2017. In order to advise the neworganisation to take the essential bank-related actionsbased on the study's findings, the study treats anchorbanks as a single unit,

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including merging banksResearchers have taken into account 20 of the 22 PVBsthatwere active inIndia inMarch2019.

IV. RESULTS AND DISCUSSION

Efficiency measurement is a fundamental component ofany corporate organization's evaluation procedure. Findingthe appropriate metrics and variables is crucial forevaluating the success of any financial organization. Thecurrent study measures the TE of the 43 banks that werechosen after taking into account the significance of DEAapplication, and then compares the effectiveness of thethree bank groups. Slack and projections of the variablesare measured after this radial. Finding the best level ofoutput from the given input, or the best level of input toproduce the given output, is necessary for efficiencyanalysis.

V. FINDINGS.

1.Low Profitability: The profitability of Indian banks is low.Their profitability has decreased as a result ofirregularities and corruption in lending operations, theft,fraud, and increased operational costs, among otherfactors. Scheduled commercial banks suffered net lossesof Rs. 4,150 crore and Rs. 3,625 crore in 1992–1993 and1993–1994 correspondingly. They did, however, make anetprofitofRs.17,077 croresin2002–2003.

2.Low Capital Base: Indian banks in India have a very lowandunevencapitalbase.Thecapitalbasefor28publicsector banks was the same as it was when they werenationalized. While foreign banks operating in Indiawere required to hold foreign funds equivalent to 3.5%of the deposits deployed in Indian operations as of theend of each year, the needed capital for private sectorbanks was tied to their geographic location. There wasno weighted risk-asset ratio mechanism for banks inIndia until March 1993 as a gauge of capital sufficiency.In 2002–2003, there were only 2 commercial banks witha ratiounder9%.

3.Participate in Share Speculation: Many banks participatein share speculation, misusing public deposits in theprocess. Numerous public sector banks and their mutualfund companies have been discovered to be engaged inshare speculating. A number of public and private sectorbanks were involved in the recent securities fraudinvolvingHarshadMehtaandotherbrokers.

4.Banks primarily serve the interests of the businesssector, despite the fact that a number of programmeshave been in place to assist the poorer segments ofIndian society. For instance, in 1999–2000, thepercentage of bank credit going to medium and largesize industry was 33.7%, compared to 9.5% foragriculture, 8.7% for small scale enterprises, and 5.7%fortrade.

5.Technology and personnel: Employee retirement ratesare rising in public-sector banks these days. Therefore,older, more seasoned staff are being replaced withyounger ones. However, this occurs at the junior highlevel. There would essentially be a void at the middleand senior level as a result. "The lack of middlemanagement could have a negative impact on banks'decision-making processes," the deputy governor said."This group of officers was crucial in converting the topmanagement's strategy into feasible action plans."Additionally, banks—particularly those owned by thegovernment—need to adopt technology if they want toprovide better products. Additionally, this will boostbankproductivity.

VI. CONCLUSION

1.Indian banks should step up to play this part in theprocess as India is on the move and undergoingsignificant socioeconomic changes. In the future, bankswill play an even more significant role than theycurrently do. Financial inclusion, improved paymentsystems, internet and mobile technologies are the maingrowth factors that will revolutionise the Indian bankingindustry and help it reach its expansion and growthgoals.Oneofthereforminitiatives,i.e.

2.The Banking Laws (Amendment) Bill of 2011 will pavethe path for greater foreign investors and banks to enterthe banking sector. The opening of new banks will spurcompetition, allowing existing institutions to advancetheir technology and operational effectiveness. Theissuance of new bank licences will also aid to financialinclusion and development given India's low bankingservicepenetration.

3.Due to technological advancements, regulatory changes,and potential lack of control over cross-border financialflows, Indian banks must operate in a more globallyintegratedcontext.

4.For the purpose of satisfying their current and futurebusiness expansion as well as prudential obligations, thebanks should be effectively obtaining the necessaryquantityofcapitalfrom themarket.

5.By utilising technology-enabled payment systems in anaffordable, accessible, acceptable, and assured manner,banks should be able to increase their outreach in termsof customer base and product options. There is a tonneof room for expansion of the banking structure's sizeandcapacity.

6.The financial structure needs to be reoriented to make itmoredynamicandadaptablewhilemaintainingsystemicstability.Thebankshave beenforced toreconsider their policies and tactics as a result ofcompetition from other international banks andtechnologicaladvancement.

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