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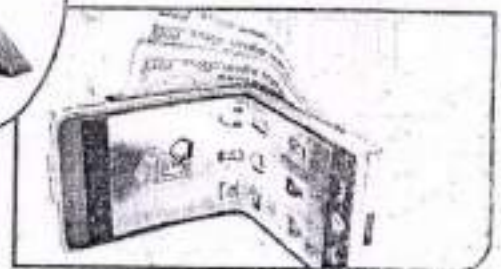
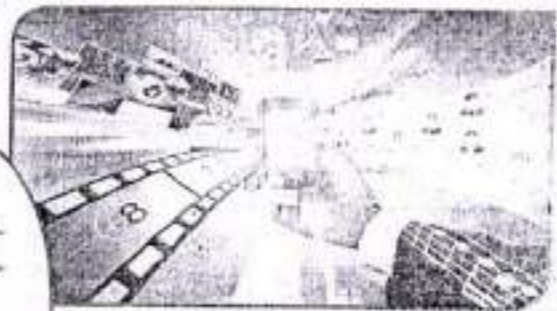
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**NATIONAL SEMINAR
ON
INDIAN BANKING SYSTEM : THE PRESENT SCENARIO**

Organised by

DEPARTMENT OF ECONOMICS

Marathi Vidya Prasarak Samaj's

**Karmaveer Shantarambapu Kondaji Wavare Arts, Science and Commerce College
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Banking Sector in India Challenges for Future**Prof. Nanaaji B. Pagar**

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The decades of the 1980's and 1990's and the first decades of the present country have witnessed several financial crises around the world.

In this crises Indian banking remained safe. Reforms of banking sector in India in 1991 provided necessary platform to the banking Sector to operate on the basis of operational flexibility and functional autonomy thereby enhancing efficiency, productivity and profitability.

The Reforms brought out structural changes in the financial sector eased external constraints in their operations, introduced transparency in reporting producers, restructuring and recapitalization and increased competitiveness in banking sector. Advancement of Information Technology has become one of the important pillars of banking revolution. All these have created lot of opportunities for banking business in India and also invited following many challenges for the banks.

Deregulation

Banking sector in India has undergone a major transformation attributable to changes in on stop deregulation. Absolutely regulated seller market has been shifted to deregulated customers market. The continuous deregulation has made the banking market enormously competitive with greater autonomy operational flexibility, decontrolled interest rate and liberalized norms for foreign exchange. The deregulation of the industry coupled with decontrol in Interest rates has led to entry of number of private and foreign players in the banking industry at the same time reduced corporate credit off take thanks to sluggish economy has resulted in large number of competitors bathing for the same pie.

Competition

The banking sectors reforms measures privileged status during the pre liberalization era are suddenly pushed through the competitive ambience. The new seats of private and foreign banks brought customers driven products and services. They have further intensified the inter competition and also posed a threat to the operation of public sector banks in respect of retaining the existing customers. Rendering better value added services/ tailor made services, innovative technology based fast services and market share.

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NPAS – Non Performing Assets

One of the contemporary biggest challenges of banking sector in managing NPA. NPAs are to be kept within the tolerance level of the bank as because it is the inevitable burden of any bank. In case banks are incapable of generating earnings owing to NPAs. It will be shortly position to the banks in to liquidity crunch. So banks should not grant loans due to political pressure but the loans be granted offer after judging the credit worthiness of the customers.

Ensuring Financial Inclusion

In our country various studies have proved that only 6% of the 600000 villages has a bank branch. Therefore banks will have to work hard for financial inclusion. The rural financial system should be strengthened to emerge as "One Stop Shop" for various types of financial products and services in the rural areas. New transactions, cost reducing technology, legal push and changed attitude of bankers only can but banking within the reach of all "Financial inclusion must not be a choice but a challenge" to all credit delivery agencies and rural poor as well.

Profitability

Profit is the most crucial parameter of judging the health of a bank. The most direct result of profitability changes is increasing competition and narrowing of spreads and its impact on the profitability of banks. The challenges for banks is how to manage with thinning margins while at the same time working to improve productivity which remains low in relation to global standards.

Risk Management

In the coming years two big forces will define the environment in which Indian banks will called upon to operate.

- a) Rapidly globalizing India.
- b) a fiercely competitive industry.

Indian banks will have to upgrade their risk management architectures. Technology plays a crucial role in managing these risk. In this regard an important lesson thrown by the crisis is that in addition to managing more effectively the traditional risk and market risk. In this context, banks also need to manage some new risk that is reputation risk, counterparty credit risk, liquidity risk, interest rates risk and introducing technology driven management information systems.

Technology

There has been a sea change in the operations of banking in the midst of IT revolution. The nature of banking activities got shifted from traditional class banking to mass banking, commission banking, electronic banking, universal, click banking, many innovative solutions have

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been developed in retained and e-banking, tele banking, m-banking, SMS banking, i-banking, core-banking, CRM has been transformed in to ECRM (Electronic Customer Relationship Management of Technology)

Improving Credit Flow to Rural Areas

Efforts need to be taken to improve credit flow to the rural areas as also to the North Eastern, and Central Regions, putting in place an appropriate credit delivery system to meet the needs of most disadvantaged section of the society must go hand in hand with efforts to improve the rural productivity.

High Credit to a few Sensitive Sectors

In recent times, there has been high growth of credit to few sensitive sectors like – NBFCs, Personal Loans, Real estate commercial loans. This trend raises risk to the banking sector as these loans may increase the asset liability mismatches. Therefore, careful monitoring of these loans is required.

Managing Standards and Quality

Managing standards and service quality will definitely impact customers preferences. That is why proper attention ought to be given by the bankers to manage standard and quality.

Customer Retention and Loyalty : Internal Customer Management

Conclusion

The face of banking is changing rapidly competition is going to be tougher with banking liberalization. Banking sector of India needs to manage all the aforesaid challenges very effectively and efficiently with a view to ensure the economic growth of the country. Banking Sector is still to render services to large section of the society particularly in the rural areas. Honest and sincere efforts from the bankers need to be put to challenge those problems.

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DEPARTMENT OF ECONOMICS

Two Day National Seminar

on

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Certificate




This is to certify that Prof./Dr./Mr./Ms. Pagar Nanaji Bhausa from
SVKT Arts, Sci. & Com. College, Deolali Camp has actively participated /
presented a research paper on Banking Sector in India Challenges for Future
in the Two Day National Seminar organized by the Department of Economics & Sponsored by BCUD, Savitribai Phule Pune University.


Dr. D. R. Bachhav
Convener

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