



THE BANKING INDUSTRY, IT'S THREATS

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ABSTRACT The word 'Bank' has been derived from the word 'Bancus' or Banque which means Bench. The transactions are done by the Jews by sitting on the bench in the market. The basic function of banks are accepting deposits and lending money to the public and acting as an agent. But now a days Banks performs a pivotal position in the strengthening of the economy, Banks became the backbone of every economy. Now Banking industry faces challenges in the form of competition within the industry and the global crisis. Banks are forced to give a wide variety of services at cheaper cost to its customer is an essential one for their existence. To overcome these challenges, finance institutions have begun focused initiatives to standardize and streamline their operating models. At that time the banks are trying to improve flexibility at the local level to provide increased customer satisfaction.

KEYWORDS : Bancus, Challenges facing banks, globalization, fin tech companies, NPA etc.

Introduction

Banks are the backbone of every economy. Banking industry plays a vital role in the development of economy, strengthening the Banking sector is an essential one for the development of economy, otherwise a financial crisis will be the result. Banking industry is going through a challenging situation because of fierce competition and the global crisis. The industry as a whole has also become far more risk averse when lending for mortgages or commercial purpose. The banking industry now facing several challenges. Competition within the industry is a crucial challenge facing the banking industry. International Banks, foreign banks provide a wide variety of services to its customers at free of cost than the traditional Banks.

Major threats facing Banking Industry

The banking industry facing lot of problems. Bank plays vital role in the balancing of every country's economy. S.S.Mundra said (RBI Chief Official) "The Banks are the lifeline of the economy and play a catalytic role in activating and sustaining economic growth, especially, in developing countries and India is no exception". Increasing the performance today is a serious challenge because finance institutions have expanded their services, it includes insurance, mutual funds and trading products in addition to traditional loans and credit cards. The key problems facing the industry are

Threat in the figures of Non Performing Asset

The biggest threat to the India's banking industry is the rise in Bad loans. Because of the slowdown in the economy led to a rise in Bad loans. It create Non Performing Asset. These are the loans which are not repaid by the borrower.

Customer satisfaction

Most of the banks are feeling pressure because they are not delivering the level of service that consumers are demanding, especially in regards to technology.

Threats from Financial Technology companies

It is that type of companies in which the startup companies using software to provide financial services. The increasing popularity of financial companies will adversely affect the growth of the traditional banking companies, especially public sector banks, because they cannot adjust with the changes of Fin tech Banking companies.

Challenges to the banking profitability

Even though banks exhibit high profitability, banks and financial institutions still are not making enough return on investment. Because of the highest operational cost, advertisement cost, cost of capital, banks profit will gradually decreasing.

Replacement of man power

Nowadays more employees retire and fresh ones are recruited in the place of experienced old employees. It happens at junior level. It will result, there will be a virtual vacuum at the middle and senior level. This will affect the decision making capacity of the middle level management. This will affect the prosperity of the Banking sector.

Objectives of the study:

1. Examine the major problems facing the Banking industry
2. To ascertain the key areas that affects the banking and finance industry.

Methodology

The study is based on secondary data collected from different sources such as Directorate of Economics and statistics (DES), Economic review 2015, The Indian Express daily.

Conclusion

Challenges facing the banking industry is a crucial one. So keen observation and clear cut evaluation is necessary for the banks to keep up with the fast pace of change in the Banking and financial industry. To overcome these challenges, financial institutions have begun focused initiatives to standardize and streamline their operating model. In that time they are trying to attract flexibility and business agility at the local level to provide increased customer satisfaction.

Reference

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