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SOCIAL AND ETHICAL ISSUES IN INDIAN BANKING SECTOR

Commerce

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ABSTRACT

In this paper I have reviewed that the Government of India about two decades ago have changed the landscape of several sectors of the Indian economy among banking sectors. The Indian banking sector is no exception. This sector is going through major and important changes as a consequence of economic reforms in last decades. In the banking industry in India has also achieved a new height with the changing times. The use of technology has brought a revolution in the working style of the banks and well as customer. The social and ethical Issues for the Indian banking sector.The role of banking industry is very important as one of the leading and mostly essential service. India is the largest economy in the world having more than approx. 135 crore population. Today in India the service sector is contributing half of the Indian GDP and the banking is most popular service sector in India.

KEYWORDS

Global Banking, e-Banking, IT, ATM

1. INTRODUCTION

In this paper the scenario of Indian Banking Sector is one of the top 10 economies in the world, where the banking sector has tremendous potential to grow. In the last decade saw customers embracing ATM, internet, digital money and mobile banking. India's banking sector is currently valued at Rs. 105 trillion. It has the potential to become the fourth largest banking industry in the world by 2025 and the second largest by 2030, according to an industry report. The face of Indian banking has changed over the years. Banks are now reaching out to the masses with technology to facilitate greater ease of communication, and transaction are carried out through the Internet and mobile devices. A bank is a financial institution that provides banking and other financial services to their customers.

The India's Banking Industry has been amongst the few to maintain resilience. The tempo of development for the Indian banking industry has been remarkable over the past decade. It is evident from the higher pace of credit expansion, expanding profitability and productivity similar to banks in developed markets, lower incidence of non-performing assets and focus on financial inclusion have contributed to making Indian banking vibrant and strong. Indian banks have begun to revise their growth approach and re-evaluate the prospects on hand to keep the economy rolling.

2. INDIAN BANKING STRUCTURE

Banking Industry in India functions under the sunshade of Reserve Bank of India - the regulatory, central bank. Banking Industry mainly consists of:

- Commercial Banks
- Co-operative Banks

The commercial banking structure in India consists of: Scheduled Commercial Banks Unscheduled Bank. Scheduled commercial Banks constitute those banks which have been included in the Second Schedule of Reserve Bank of India (RBI) Act, 1934.

RBI in turn includes only those banks in this schedule which satisfy the criteria laid down vide section 42 (60) of the Act. Some co-operative banks are scheduled commercial banks although not all co-operative banks are. Being a part of the second schedule confers some benefits to the bank in terms of access to accommodation by RBI during the times of liquidity constraints. At the same time, however, this status also subjects the bank certain conditions and obligation towards the reserve regulations of RBI.

3. CURRENT BANKING SYSTEM

In Banking sector today has transformed into a technology intensive and customer friendly model with a focus on convenience. Recent trends are as follows:

- Electronic Cheque Clearing System (ECCS)
- Real time Gross Settlement (RTGS)
- Electronic Funds Transfer (EFT)
- Electronic Clearing Service (ECS)
- Automatic Teller Machine (ATM)
- Point of Sale Machine (POS)
- Tele Banking System (TBS)
- UPI Fund Transfer System (UPIFTS)
- Aadhar Enabled Transaction System (AETS)
- Immediate Payment Services (IMPS)

4. SOCIAL AND ETHICAL ISSUES IN INDIAN BANKING SYSTEM

Developing countries like India, still has a huge number of people who do not have access to banking services due to scattered and fragmented locations. But if we talk about those people who are availing banking services, their expectations are raising as the level of services are increasing due to the emergence of information Technology and competition. Since, foreign banks are playing in Indian market, the number of services offered has increased and banks have laid emphasis on meeting the customer expectations.

Now, the existing situation has created various social and ethical Issues and opportunity for Indian Commercial Banks. In order to encounter the general scenario of banking industry we need to understand the social and ethical Issues and opportunities lying with banking industry of India.

5. BASIC CHALLENGES IN INDIA BANKING SYSTEM

- Rural Marketing
- Management Risks Among Staff and Customers
- Banking Growth
- Transparency and Discipline in Marketing
- Lack of ICT Knowledge
- Human Resource Management
- Global Banking and Marketing
- Financial Inclusions and Shortage
- Basic Rules and Regulations adopted in Rural Areas
- High Transactions Cost
- Using Mobile Technology Upgradation time to time
- Privacy and Safety

6. EMERGING EXPECTED ISSUES DURING COVID

- Deceleration in economic growth impacting expansion of banking sector
- Maintaining asset quality in the face of growing non-performing assets restructuring of advances.
- Augmenting capital and maintaining prudential capital
- Preserving and augment profitability in a stressed environment
- Implementing financial inclusion & Direct Benefits Transfer
- Increased competition from both within the banking sector with various banks becoming aggressive
- Adopting and adapting to technological changes/innovation to meet regulatory norms and tap alternative channels.
- Improving quality of human resources for working efficiently under the latest technological developments
- Capital mobilization
- Implementation of Basel III

7. OTHER ISSUE ON DOORSTEP

- To make stringent norms pertaining to bad loans and restructured assets and their resolution Norms to improve asset quality,

recovery, liquidity and the balance sheets of banks
- Consolidation and mergers and entry of new players to bring competition, innovation and productivity. It would also bring economies of scale
- Continuous bank licensing
- Converting some urban co-op. banks into commercial banks could aid them to operate in mainstream with lower risk.
- Separate licenses for niche areas like wealth management investment banking
- Reforms in corporate debt market, government debt market & money market
- Focus on asset-liability management for banks
- Increased usage of technology in banking as it will help in up gradation, design more e-products; also sustain and scale business
- Focus on financial inclusion/deepening
- Steps to remove structural bottlenecks on credit delivery and free pricing of financial assets
- Transparency, improvement in clearing and settlement practices

8. CONCLUSION AND FUTURE SCOPE

Over the years, it has been observed that clouds of trepidation and drops of growth are two important phenomena of market, which frequently changes in different sets of conditions. The pre and post liberalization era has witnessed various environmental changes which directly affects the aforesaid phenomena. It is evident that post liberalization era has spread new colors of growth in India, but simultaneously it has also posed some social and ethical Issues. Indian banks face the social and ethical Issues of sustenance with the increased competition and need to develop proactive strategies with focus on product innovation, off-balance sheet activities to increase their income from non-core activity, efficiency in service delivery process, effective risk management etc. and more importantly on customer satisfaction.

It is evident that post liberalization era has spread new colors of growth in India, but simultaneously it has also posed some social and ethical Issues. This paper discusses the various social and ethical Issues and opportunities. Banks are striving to combat the competition. The competition from global banks and technological innovation has compelled the banks to rethink their policies and strategies. Different products provided by foreign banks to Indian customers have forced the Indian banks to diversify and upgrade themselves so as to compete and survive in the market.

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