International Journal of Education and Science Research Review
P-ISSN 2349-1817
www.ijesrr.org Volume-4, Issue-3 June - 2017 Email- editor@ijesrr.org

INCREASING TREND OF FINANCIAL INCLUSION IN INDIA AFTER GLOBALISATION

Dr Anurag Gupta
Assistant Professor
S.D.D.K.K.P.G. College
Chingravthi, Bulandshahar

ABSTRACT

The growth in housing and housing finance activities in recent years reflects the buoyant state of the housing finance market in the country. The financing institutions have come to see good value in funding this component of the economy. With a growing number of players, the housing sector is becoming increasingly market-driven. The affordability of housing loans clearly appears to have improved with fast-growing number of borrowers. The market has also witnessed change in lending practices in certain segments to accommodate customer needs, as an offshoot of increased competition and a buyers' market. There seems to be a high intensity of competition among different players of the housing finance industry. But this competition needs to be measured to observe the efficiency of the provision of housing finance services, the quality of housing finance products, and the degree of innovation in the sector, etc. The present paper is an attempt to measure the level of competition in Indian housing finance industry for the purpose of which Herfindahl-Hirschman Index (HH Index) has been used as a tool for measuring the concentration.

KEY WORDS: Rapid expansion, Market Size, government Initiatives.

INTRODUCTION

India has a diversified financial sector undergoing rapid expansion, both in terms of strong growth of existing financial services firms and new entities entering the market. The sector comprises commercial banks, insurance companies, non-banking financial companies, co-operatives, pension funds, mutual funds and other smaller financial entities. The banking regulator has allowed new entities such as payments banks to be created recently thereby adding to the types of entities operating in the sector. However, the financial sector in India is predominantly a banking sector with commercial banks accounting for more than 64 per cent of the total assets held by the financial system.

The Government of India has introduced several reforms to liberalise, regulate and enhance this industry. The Government and Reserve Bank of India (RBI) have taken various measures to facilitate easy access to finance for Micro, Small and Medium Enterprises (MSMEs). These measures include launching Credit Guarantee Fund Scheme for Micro and Small Enterprises, issuing guideline to banks regarding collateral requirements and setting up a Micro Units Development and Refinance Agency (MUDRA). With a combined push by both government and private sector, India is undoubtedly one of the world's most vibrant capital markets.

FINANCIAL INCLUSION IN INDIA

Despite India boasting economic growth rates higher than most developed countries in recent years, a majority of the country’s population still remains unbanked. Financial Inclusion is a relatively new socio-economic concept in India that aims to change this dynamic by providing financial services at affordable costs to the underprivileged, who might not otherwise be aware of or able to afford these services. Global trends have shown that in order to achieve inclusive development and growth, the expansion of financial services to all sections of society is of utmost importance. As a whole, financial inclusion in the rural as well as financially backward pockets of cities is a win-win opportunity for everybody involved – the banks/NBFC’s intermediaries, and the left-out urban population. Banks will handle core infrastructure and services while intermediaries known as Business Correspondents (BC’s) will be the executors and act as the face of these banking & financial institutions in dealing with end-users. The Business Correspondents (BC’s) shall be carrying handheld terminals like Tablets (GSM enabled) coupled with portable biometric scanner, smart card swipe machines as well as thermal Bluetooth printers for carrying out their online banking activities on the field. Authentication and customer information is provided by the UIDA through NPCI or NSDL once the institution becomes an authorized UIDAI user. As income levels and consequently, savings in rural areas increase, it is essential to help earners manage their funds and facilitate incoming and outgoing payments. Allowing people to create simple, no-frills current and savings accounts, relaxing KYC norms and directly crediting social benefits to account owners will bolster an inclusive approach to finance & banking in rural areas.

Financial inclusion and financial literacy have been important policy goals for quite some time. The Finance Minister has emphasised inclusion in the budget speech. At various fora, the Reserve Bank of India (RBI) and senior government officials had been hinting at a "big-bang" action plan for financial inclusion to be announced by Prime Minister Narendra Modi in his Independence Day address to the nation. There were reports of the authorities getting ready with a Comprehensive Financial Inclusion Plan (CFIP) or Sampoorn Vittiya Samaveshan in Hindi, which will be breathtaking in scope and extremely ambitious.

There is a long history of financial inclusion in India. It has traditionally been understood to mean opening new bank branches in rural and unbanked areas. Nowadays, however, financial inclusion is seen to be something more than opening bank branches in unbanked areas to take formal financial services across the length and breadth of the country. In the context of the various shortcomings in delivering subsidies, direct transfers using technology have been thought of. The beneficiary needs to have at least one bank account. Since in a logistics point of view it is impossible to open that many physical branches — the brick and mortar type — the accent will be on opening electronic accounts. Technology adaptation would be a key feature in this scheme for financial inclusion.

The RBI has, in the recent past, taken several steps to further inclusion. Very recently, it circulated for public comment two sets of draft guidelines for issuing licences to payment banks and small banks. These niche banks with lower entry-level norms than for normal commercial banks are meant to further inclusion. While it will take a while for these banks to come up, it is obvious that the RBI is betting on them to provide banking services to those who remain outside the purview of formal banking.

UNDERSTANDING FINANCIAL INCLUSION

Recently, the RBI Governor Raghuram Rajan outlined, in conceptual terms, what inclusion should be. "Simplicity and reliability in financial inclusion in India, though not a cure all, can be a way of liberating the poor from dependence on indifferently delivered public services and from venal politicians," he said. Further, "in order to draw in the poor, the products should address their needs — a safe place to save, a reliable way to send and receive money, a quick way to borrow in times of need or to escape the clutches of the money lender, easy to understand life and health insurance and an avenue to engage in savings for the old age."

The RBI will accordingly nudge banks to offer a basic suite of services.While over the years the government has taken several steps to spread the banking habit, formidable tasks lie ahead. Of the 24.67 crore households in the country, 10.19 crore do not have access to banking services. In rural areas, 44 per cent households and in urban areas 33 per cent still do not have a bank account. The government's latest plan of action, as envisaged in the CFIP or Sampoorn Vittiya Samaveshan, hopes to extend coverage of basic financial services all excluded households. In the first phase, the CFIP will endeavour to provide universal access to all the beneficiaries through sub-service areas (SSAs). Each SSA will consist of 100-1,500 families in a cluster of villages and each SSA will be serviced by a BC agent (BCA) whose task it will be to facilitate account opening and smooth banking operation.

The latest inclusion plan will have as its focus households rather than geographical areas. After satisfactory conduct of accounts it is proposed to offer reasonable need-based credit facilities for which overdraft facilities will be sanctioned. A smart card (RuPay card) will be issued to enable customers to operate their accounts even without BCs. Simultaneously suitable awareness will be created among the financially excluded.

In the second phase, there is a proposal to make available a pension scheme for identified individuals in the unorganised sector and offer microfinance products through government-owned insurance companies.

FOR THE JAN-DHAN YOJANA TO SUCCEED THE FOLLOWING STEPS ARE INDICATED:

1. The business correspondent model should be extended to include entities such as kirana shops, corporates and others. It is obvious that BCs need to be properly remunerated and have the full support of banks. Banks have tied up with common service centres (CSCs) as BCs.
2. Insistence on KYC (know your customer) norms has hindered the opening of new accounts even in urban areas. Great significance is, therefore, attached to e-KYCs. The Aadhaar can play an extremely useful role.
3. Since mobile banking through phones is to play an increasingly important role in a scenario where physical bank branches will be few, greater co-ordination between mobile telephone companies and banks will be necessary.
4. It goes without saying that State governments' support will be crucial.
5. Commercial viability will be the key to the programme's success. Past experience suggests that without proper incentives, the facilities on offer will not be used by the really needy. Banks will be saddled with a large number of dormant accounts.

REASONS FINANCIAL INCLUSION IN INDIA IS IMPORTANT

Financial inclusion of the unbanked masses is a critical step that requires political will, bureaucratic support and constant pressure by the RBI. It is expected to unleash the hugely untapped potential of the bottom-of-pyramid section of Indian economy.

The rural masses will get access to banking like cash receipts, cash payments, balance enquiry and statement of account can be completed using fingerprint authentication. The confidence of fulfillment is provided by issuing an online receipt to the customer.

Reduction in cash economy as more money is brought into the banking ecosystem.It inculcates the habit to save, thus increasing capital formation in the country and giving it an economic boost.

Direct cash transfers to beneficiary bank accounts, instead of physical cash payments against subsidies will become possible. This also ensures that the funds actually reach the intended recipients instead of being siphoned off along the way.

Availability of adequate and transparent credit from formal banking channels will foster the entrepreneurial spirit of the masses to increase output and prosperity in the countryside.

Hence, it is believed that financial inclusion can initiate the next revolution of growth and prosperity. In the 21st century, India has been pulling all the right levers to advance financial inclusion and economic citizenship by channeling its own transactions to lubricate the system. India's journey towards economic ascension relies on how the 65% unbanked population of India (conservative 2012 estimate by World Bank) is enabled with financial infrastructure.

Get in touch with us to know how we can assist you with financial inclusion.

MARKET SIZE

Total Merger and Acquisition (M&A) activity rose 23 per cent to US$ 15.8 billion in value terms during January-March 2017.

Total value of Private Equity (PE)/venture capital (VC) investments crossed US$ 2 billion with a 29 per cent year-on-year increase in the number of deals in April 2017.

Mutual Funds asset base reached Rs 19.26 lakh crore (US$ 299.04 billion) at the end of April 2017.
Total number of mutual fund schemes in India with Assets Under Management (AUM) of over Rs 10,000 crore (US$ 1.55 billion) have doubled to 12 in the past one year, according to data from Value Research and funds factsheets.
The number of new fund offer (NFO) schemes in the equity mutual fund segment have increased to 29 during 2016-17, out of which 25 funds were launched during the September-March period with assets worth Rs 4,220 crore (US$ 655.23 million).
The Indian life insurance industry has begun to recover and is likely to report 12-15 per cent growth in FY 2016-17.

In 2016, 2.4 million new demat accounts were opened by Indians, the highest number of account openings since 2008, led by higher number of initial public offerings (IPOs) and greater interest in mutual fund investments. SBI, the second largest issuer of credit cards in India, has reported issuance of 115,000 new cards in December 2016, post demonetisation, taking its total card issuance to 4.75 million.
Prime Minister of India, Mr Narendra Modi has stated that the BHIM (Bharat Interface for Money) mobile application reached the mark of 10 million downloads indicating the widespread acceptance of the app.
Increasing trend of informal financial System in India - A Study Lack of proper implementation of formal banking system and line of micro in sub urban and rural areas has given a boost to the informal financial system in the form of Self-Help-Group (SHG), micro finance companies, Nidhi Companies, societies etc. Introduction We are taking you to the India which is not very famous yet, which also you will not find in our media, in people daily discussion. But, it exists and unfortunately which has no access to even the basic necessities of life. However, we are not going to discuss the Swachh Bharat in this article, rather we shall discuss how informal financial system is getting stronger in the sub-urban and the Rural India. An unbanked India – No digital India As per the PWC report on banking reach in India, it was pointed out that India's unbanked population was 233 million people in 2015 declined from 557 million in 2011. Further, as per report, if entire unbanked population were a country, then it would be the world's seventh largest nation. As per se, it is estimated that 40% of the country is still have no access to formal banking system. As said, in the dome light where country is struggling to increase the formal banking ambit, the informal financial system is getting stronger and using this problem as the opportunity to increase the market share. The most famous types of the informal financial companies are as follows: 1. Nidhi Companies 2. Micro Finance Companies – Section 8 Company 3. Local Money lenders 4. A Proper NBFC – Registered with RBI 5. Societies/Trust 1. Nidhi Companies Nidhi Company is a NBFC which is being exempt by the RBI from registration. It is the only type of company which can accept deposit and which does not require any RBI approval. The ultimate objective of Nidhi Company was to promote the habit of saving among the members. Further, Nidhi Company can only lend to his members only. Practically, Nidhi companies are formed so to accept the deposits and then mobilize this savings to provide loans and earn the interest from the same. Here are some of the features of the Nidhi Company: a. Nidhi Company can accept deposits in the ratio of 1:20, i.e. if owner has invested Re.1, then he is eligible to accept deposit up to Rs.20. b. Nidhi Company does not require any RBI approval and there are separate rules, which govern the Nidhi Company. c. Nidhi Company registration is very easy as compared to the complex Non Banking Financial Company (NBFC). d. There are many restrictions on the Nidhi Companies which prohibits Nidhi Company to give loan other than the secured loans. e. A Nidhi company can only start in his district and in any case cannot go outside the state. 2. Micro Finance Companies This type of finance is very popular especially among the small business communities. The microfinance company generally offers unsecured loan to small business max up to Rs.50,000/-. The legal forms of this type of company are either Registered NBFC or section 8 company. However, individuals are also offering loan to people without any registration and charging interest up to 35%. Section 8 company or the unregistered type is very famous and largely accepted due to low investment. Section 8 company hardly cost 25 to 30k and the main advantage is that it can do business of Micro Finance Institution without the capital of Rs.2 cr. We can analyze the practical example of Cashpor, a Section 8

company. Here are the latest details from the annual report. FY 14-15 FY 15-16 Growth (%) Total Portfolio (Rs. In Cr) 919.2 1014.2 10.3% BC portfolio (Rs. In Cr) 406.2 443.2 9.1% Own Portfolio (Rs. In Cr) 488.3 570.9 16.9% *BC mean business correspondent. Key highlights as per ICRA Report Market size of Rs.1.1 trillion with growth of 23% during FY 16 and 31% FY 15. The potential market size estimated in next three years is 3.4 trillion. Good asset quality indicators maintained. Segment remains vulnerable to political risks; maintaining lending discipline, wider coverage under credit bureaus and tactful resolution of issues by stakeholders key to maintaining asset quality indicators going forward. MFIs (excluding Bandhan and eight entities converting to SFBs) would need Rs. 9-22 billion (26%-67% of the existing net worth) to achieve a compounded annual growth rate (CAGR) of 30-40% over the next three years. Fund flow to the sector continues to remain good, funding costs witnessed moderation of 100-150 bps; some increase in share of non-convertible debentures in overall funding mix. 3. Local Money Lenders "Once a wise man said, there are two things famous in Kerala, one is gold loan and another is lottery." The money lending licenses are also one of the category through which informal financial system is getting stronger. These licenses are mostly common in Southern region including Kerala, Karnataka etc. Although, these license does not allow one to accept deposits. Further, money lending license does not allow lending business at large scale. People initially start with money lending licenses, then move gradually to Nidhi company and ultimately to NBFC. 4. A Proper NBFC – Registered with RBI this is the legalized forms and proper substitute for the bank. A registered NBFC is authorised to do all such finance business which are restricted to any other form. Here are some important features of the NBFC in India: A NBFC registration is costly require a minimum of Rs.2 cr to get the RBI license in India. A NBFC cannot accept deposits from public until it has obtained a deposit taking status from RBI. A NBFC has to comply with the RBI guidelines in a strictly manner and no deviation is allowed. There are various types of NBFC which includes investment company, Loan Company etc.

5. Society/Trust this is also an important category under informal financial system in India. Societies are registered under Societies Registration Act, 1860 and conduct the business of micro finance in India. Societies and trust are considered Not for Profit organization and hence provides loan at the reasonable rate of interest. Their motive is to serve the people rather than earning profit. Conclusion The conclusion is very simple, wherever the formal banking channels fails, the informal financial system takes over.

The Reserve Bank of India today released the statutory Report on Trend and Progress of Banking in India 2014-15 (RTP) as also the twelfth issue of the Financial Stability Report (FSR). The RTP presents the performance and salient policy measures relating to the banking sector including that of the co-operative banks and non-banking financial institutions during 2014-15. The FSR gives an assessment of risks to financial stability as also the resilience of the financial system.

THE HIGHLIGHTS OF THE RTP ARE AS FOLLOWS:

The global macro-financial risks shifted from advanced to emerging economies with the latter facing pressures from weakening prospects of growth, falling commodity prices and strengthening of the dollar. However, the Indian economy appeared quite resilient, given a modest recovery in the economy, declining inflation and buoyant capital flows that helped in maintaining the external sector balance.

The regulatory and supervisory policy responses during the year *inter alia* included the initiatives for de-stressing the banking sector, reforming and recapitalisation of the public sector banks (PSBs), strengthening the liquidity standards of the banks, monitoring the buildup of leverage in the banking system, convergence with the international accounting standards, policies relating to licensing and expansion of UCBs and making the banking sector more inclusive.

NON-BANKING FINANCIAL INSTITUTIONS

The consolidated balance sheet of the all India financial institutions (AIFIs) expanded by 9 per cent during 2014-15 reflecting moderation from double-digit expansion in the previous couple of years. Loans and advances extended by non-banking financial companies-non-deposit accepting-systemically important

(NBFCs-ND-SI) posted significant growth of 15.5 per cent during 2014-15. The GNPAs of the NBFCs-ND-SI showed a marginal improvement and were primarily concentrated in infrastructure sector, transport operator segment, and medium and large scale industries. On the other hand, asset quality of non-banking financial companies- deposit accepting (NBFCs-D) deteriorated as both gross and net NPAs increased during 2014-15.

THE HIGHLIGHTS OF THE FINANCIAL STABILITY REPORT, DECEMBER 2015

While the first Fed rate hike since 2006 appeared to have been factored in by the markets, the pace of further increase may have a significant bearing on market behaviour. This along with the developments in China and sluggish global trade growth would define the global economy going forward.

While India's macro-economic fundamentals are relatively stronger, domestic demand and private investment are still not picking up, underscoring the need to step up public investments. Although India's current account balance has benefitted from the fall in international crude prices and reduction in gold imports, exports have been adversely affected due to weak external demand. While the ratio of short term external debt to forex reserves has been moderating, attracting robust capital flows to finance the current account deficit will require continuous thrust on structural reforms and improving the ease of doing business. In the corporate sector, declining profitability, high leverage and low debt servicing capacity continue to cause concern with their attendant adverse impact on the financial sector, notwithstanding a marginal improvement observed during the first half of current financial year.

FINANCIAL INSTITUTIONS: SOUNDNESS AND RESILIENCE

The business of scheduled commercial banks (SCBs) slowed as reflected in further decline in both deposit and credit growth. Between March and September 2015, the gross non-performing advances ratio increased, whereas restructured standard advances ratio declined. Sectoral data as of June 2015 indicates that 'industry' continued to record the highest stressed advances ratio of about 20 per cent, followed by 'services' at 7 per cent. The capital to risk-weighted asset ratio (CRAR) of SCBs registered some deterioration during the first-half of 2015-16.

Among other financial institutions, the asset quality of both scheduled urban co-operative banks (SUCBs) as well as non-banking financial companies (NBFCs) deteriorated during the first-half of 2015-16. The banking stability indicator shows that risks to the banking sector increased since the publication of the previous FSR, mainly on account of deteriorating asset quality, lower soundness and sluggish profitability. While global financial sector regulatory reform agenda is being implemented steadily, there is a need for better appreciation of cost-benefit matrix of these reforms across jurisdictions given the structurally different economies with varying national priorities.

BANKING SECTOR

While steps taken for developing corporate debt markets in India are showing some results, the dependence on bank finance continues even as the banks, especially the PSBs face challenges on asset quality, profitability and capital. In addition to the focus on governance processes through initiatives like 'Indradhanush', the PSBs may need to review their business models, and examine strategic decisions like capital planning and dividend policy.

Indian capital markets regulation has kept pace with the requirements of changing business environment by, among other things, creating special platform for enabling the start-up companies to access the capital markets. The domestic institutional investors, especially the mutual funds, are observed to be buffering the possible volatility due to foreign portfolio investment flows. Subsequent to the merger of Forward Markets Commission (FMC) with the Securities and Exchange Board of India (SEBI), guidelines on the comprehensive risk management framework have been issued to align and streamline the risk management framework across national commodity derivatives exchanges in India.

The insurance business model encompassing both insurers and reinsurers has specific features that differentiate it from the banking system and make it a source of stability in the financial system. The national pension system (NPS) is showing steady growth, and the Atal Pension Yojana (APY) aims to mitigate challenges faced by people in the unorganised sector.

India's financial system remains stable and the relatively stronger macroeconomic fundamentals lend resilience to face the still prevailing uncertainty and emerging risks in the global economy and financial markets. However, the policy makers and stakeholders will need to remain watchful about the potential adverse impact of developments in the global scenario particularly increased volatility in financial markets and further slowdown in global trade. On the domestic front, risks arising from erratic climatic conditions, limited policy space, corporate performance, asset quality of financial institutions and low investment growth, among other factors, could pose challenges

INVESTMENTS/DEVELOPMENTS

JM Financial Ltd is planning to set up an affordable housing finance company to provide home loans to low and mid-income range customers. The company has applied for a license for JM Financial Home Loans Ltd to the National Housing Bank (NHB) Paytm's valuation post-money climbs to US$ 7 billion as it raises US$ 1.4 billion from SoftBank Group Corp. Post this funding, SofBank's total stake will rise to 20 per cent.

Amazon India receives approval from Reserve Bank of India (RBI) for launching their own digital payment wallet in India, thereby tapping into India's fastest-growing digital payments business.

Face book Inc owned instant messaging application, Whatsapp, is planning to enter the digital payment services segment in India by working towards launching person-to-person payments within the next six months.

Samsung has launched its mobile payment service, Samsung Pay, which enables consumers to pay for products and services at various retail locations using their Samsung Smartphone.

The Taiwan Futures Exchange (TAIFEX) has launched the TAIFEX Nifty 50, a new Taiwan dollar denominated futures contract that will track the National Stock Exchange's (NSE) Nifty 50 index, thereby providing international investors with more efficient access to the Indian capital market.

Warburg Pincus LLC, the US-based private equity firm, plans to invest around US$ 75 million in series C round of funding to buy a significant stake in Capital Float, an online credit platform.

Asset management company Rising Straits Capital plans to raise US$ 100 million to capitalise its real estate-focused non-banking financial company (NBFC) named Rising Straits Finance Co. Pvt. Ltd, which is expected to start lending from 2017 to regular residental and office projects, and also to logistics, hospitality and healthcare sectors.

US-based private equity (PE) firm Advent International has acquired a minority stake of 40 per cent in ASK Group, a leading investment and wealth management company, in a deal worth US$ 130 million.

Avendus Capital plans to start its structured finance business with a dedicated fund of size Rs 500 crore (US$ 73 million), which will be primarily raised from domestic investors, and will aim for investments in growth companies, mid-market companies and opportunities to provide structured debt or private financing.

Baring Private Equity Asia (BPEA) is raising a new India-dedicated credit fund of Rs 500 crore (US$ 75 million) with an option of retaining extra money collected than initially planned up to Rs 250 crore (US$ 37.5 million). BPEA also plans to raise a US$ 500 million new offshore credit fund.

Fino Paytech, a technology solution provider, plans to launch its payment bank operations soon to provide basic banking services through 400 branches across 30 cities located in Maharashtra, Madhya Pradesh, Uttar Pradesh and Bihar.

Payism Technologies India Pvt. Ltd, a cash and cashless transactions facilitator, plans to raise approximately US$ 25 million in growth equity capital for expansion purpose.

True North, a private equity firm, plans to acquire a majority stake in Home First Finance Co. India Pvt. Ltd (HFFC), a private housing finance company, for US$ 100 million, which will be utilised for geographic expansion and customer acquisition in affordable housing segment.

Institute for Financial Management and Research (IFMR) Investment Managers Pvt. Ltd has launched two credit funds named IFMR FImpact Long Term Credit Fund and IFMR FImpact Medium Term Opportunities Fund, which focuses on investing in the financial inclusion space by aiming to raise Rs 850 crore (US$ 127.50 million) through these funds.

GOVERNMENT INITIATIVES

In the Union Budget 2017-18, the Government of India has announced a few key reforms like abolishment of Foreign Investment Promotion Board in 2017-18, Introduce bill for curbing illicit deposit schemes, Establish a Computer Emergency Response Team for financial sector (CERT-Fin) and set aside Rs 10,000 crore (US$ 1.5 billion) towards recapitalisation of banks.

The subscriber base under the Atal Pension Yojana (APY) scheme reached 5.3 million. Of the total subscribers, 97.5 per cent are contributing to the scheme every month, 0.8 per cent every quarter and 1.7 per cent every six months.

The Government of India is likely to allow 100 per cent foreign direct investment (FDI) in cash and ATM management companies, since they are not required to comply with the Private Securities Agencies Regulations Act (PSARA).

Securities Exchange Board of India (SEBI) has permitted the security exchanges to launch options contracts in the commodity market, which would provide a new cost effective hedging tool to the farmers and others market participants.

SEBI expects to reduce the minimum investment by accredited investors in alternative investment funds (AIFs) to Rs 25 lakh (US$ 38,816.68) from Rs 1 crore (US$ 155,266.72) currently, to boost investments.

SEBI plans to tighten the norms governing various market participants in order to strengthen scrutiny, improve transparency and mitigate liquidity risks from algorithmic trading.

SEBI has relaxed norms for registered foreign portfolio investors (FPIs) in India, allowing them to operate through the International Financial Services Centre (IFSC) without undergoing any additional documentation or prior approval process.

The Reserve Bank of India (RBI) has extended the access of its Unified Payment Interface (UPI) platform to digital wallets like Paytm and Mobikwik, as a move towards India's digitisation campaign. The RBI has introduced trading in interest rate options (IRO), effective from January 31, 2017, which will provide another avenue to market participants to hedge and speculate on interest rate risk.

SEBI plans to allow investors to make mutual funds transactions worth up to Rs 50,000 (US$ 750) a month through digital wallets, as part of its efforts to digitise the distribution processes for all financial products. It also plans to allow immediate credit to customer’s bank accounts on liquid mutual funds redemption to attract retail customers as well as boost inflows.

Mr Ravi Shankar Prasad, Union Minister of Law & Justice and Information Technology, has launched a free Doordarshan DTH channel called DigiShala, which will help people understand the use of unified payments interface (UPI), USSD, aadhaar-enabled payments system, electronic wallets, debit and credit cards, thereby promoting various modes of digital payments. The Government of India has relaxed norms for small merchants with a turnover of up to Rs 2 crore (US$ 300,000), allowing them to pay 6 per cent of deemed profit in tax instead of 8 per cent of total turnover or gross receipts received through banking channels or digital means for FY 2016-17, in a bid to encourage cashless transactions in the country.

The lending target has been fixed at Rs 244,000 crore (US$ 36.46 billion) for 2017-18.

CONCLUSIONS AND FINDINGS

The performance of the Indian banking sector remained subdued as it experienced a slowdown in balance sheet growth in 2014-15. While the PSBs registered deceleration in credit growth, the private sector banks (PVBs) and foreign banks (FBs) showed higher credit growth. Retail loan portfolio of the banks continued to grow at around 20 per cent during 2014-15.

Notwithstanding the increase in profit growth vis-à-vis the previous year, the return on assets (RoA), a common indicator of financial viability, did not show any improvement in 2014-15. While the PSBs accounted for 72 per cent of total banking sector assets, they accounted for only 42 per cent in total profits during 2014-15, with the PVBs surpassing the PSBs in the share of total banking sector profits. The deterioration in the asset quality of banks in general, and PSBs in particular, continued during the year.

Improvements in the sector have been slow-paced and limited to certain segments of the cooperative system. Even though there has been a turnaround in the financial stability indicators of the state level short-term co-operative credit institutions, asset quality concerns remain for the long-term institutions. The UCBs performed well in terms of return on equity (RoE). However, the gross non-performing advances (GNPAs) ratio witnessed an increase in 2014-15.

REFERENCES

1. Barthwal, R.R., (1996), Industrial Economics: An Introductory Textbook, New Delhi: New Age International.
2. Biswas, Smita, (2003), 'Housing is a productive assets-Housing finance for self employed women in India', Small Enterprise Development, 14(1), March, pp. 13-25.
3. Biyani, Harish, and G. Krishnan, (2004), 'Housing Finance and Business Ethics', available at www. Indiainfoline.com visited 21st February 2006.
4. Bombay Stock Exchange, (2005), 'Annual Capital Market Review' (3), Section 3, Market trends, 25 December.
5. Brown, Donald M., and Frederick R. Warren-Boulton, (1988), 'Testing the Structure-Competition Relationship on Cross-Sectional Firm Data', Discussion Paper 88-6, Economic Analysis Group, US Department of Justice, 11 May.
6. Business World, (2004), 'Housing Finance: The next bubble', In depth, 22 March.
7. Casu, Barbara, (2004), 'Bank Competition, Concentration and Efficiency in the Single European Market', available at www.assex.ac.uk visited 16 January 2006.

8. Claessens, Stijn, and Luc Laeven, (2003), 'What Drives Bank Competition? Some International Evidence', Policy Research Working Paper 3113, The World Bank Financial Sector Operations and Policy Department, August.
9. Diamond, Douglas B., and Ritu Nayyar-Stone, (2001), 'India: Heading toward a liberalized and integrated having finance system', Housing Finance International, March, pp. 42-50.
10. Fahrer, Jerome, and Thomos Rohling, (1992), 'Some Tests of Competition in Australian Housing Loan Market', Research Discussion Paper, Economic Research Department, Reserve Bank of Australia, February.
11. Garg, Yogendra Kumar, (2002), 'New directions in Asian housing finance', Linking Capital Market and Housing Finance, Washington DC: IFC, Ch. 4, pp. 83-111.
12. Kaushik K.R., Bansal K.K.(2012) Foreign direct investment in Indian retail sector pros and cons. *International journal of emerging research in management & technology Vol.1(1)*
13. Government of India, (1996), Housing Finance Institutions Directory, New Delhi: NBO, p. 18.
14. Investment Information and Credit Rating Agency of India Limited, (2003), 'ICRA Rating Feature', October, @ www.icraindia.com visited 29 December 2004.
15. Karnad, Renu, (2004a), 'The differentiation lies in the core strengths of an organization', General Management Review, July-September, pp. 1-10.
16. Karnad, Renu, (2004b), 'Housing Finance and the Economy: Regional Trends--South Asia Perspectives', paper presented at the 25th World International Union for Housing Finance (IUHF) Congress on Housing Finance: Best Practices from around the World, 23-25 June, Brussels.