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A DEEP STUDY ON THE GROWTH OF BANKING SECTORS IN INDIA

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ABSTRACT: - With the implementation of neo-liberal regulations in 1991, the banking industry saw a paradigmchange. Public sector banks predominated in the banking industry during the pre-reform era. The "public sector banks" held the majority of the share capital. With incentives to increase capital base and equity involvement from private investors, the banking industry began to liberalise. Theproportion of "public sector banks" in the total banking sector assets has decreased from 90% in 1991 to around 75% in 2004. It was urgently necessary to make fundamental reforms to the Indian banking sector during the post-liberalization era in order to make it economically sustainable and competitively powerful. A High Level Committee was established to look at all facets of the financial system's structures, organisations, activities, and practises. "Mr. M. Narasimham, a former governor of the RBI", serves as the committee's head. The Narasimham Committee's recommendations served as the basis for the first phase of the financial sector reforms, which began in 1991. In 1998, the second stage of the financial sector reforms was launched. The goals of banking sector reforms were increased financial sustainability, institutional strengthening, including operational flexibility to increase resource allocation efficiency. A number of new private sector banks, including HDFC Bank Bank Ltd., IDBI Banks Ltd., ICICI Bank Ltd., and UTI Bank Ltd. (now Axis Bank Ltd.), began operating.

KEYWORDS: - Growth, Banking Sector, Private Banks etc.

Since the nationalisation of 19 large banks in 1969, the banking industry has seen a significant development. Table 1.1 shows trends in bank branch growth in India from the time of nationalisation.

Table 1.1

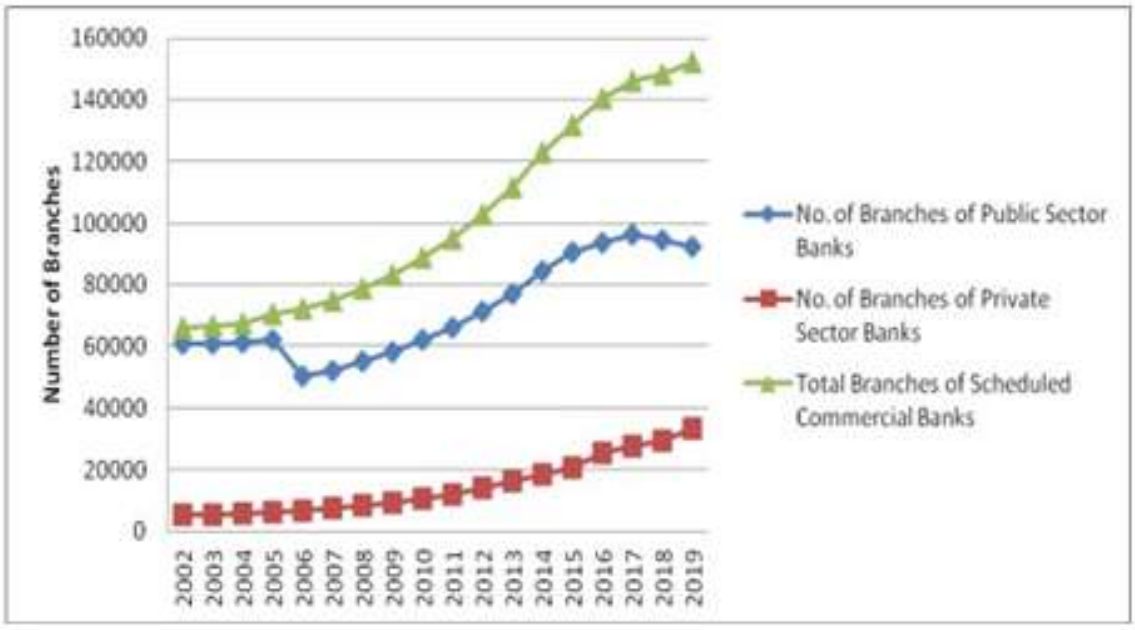
Growth of Banking Sector in India (1969-2019)

Year	No. of Branches in Public Sector Banks	No. of Branches in Private Sector Banks	Total Branches of SCB*
1969	7015	900	8262
2002	60660	5338	66267
2003	61014	5447	66696
2004	61367	5803	67409
2005	62093	6186	70373
2006	50354	6862	72159
2007	52327	7471	74789
2008	55302	8345	78872
2009	58195	9349	83212
2010	62370	10535	88882
2011	66278	12081	94852
2012	71562	13998	102953
2013	76843	16153	111372
2014	84618	18612	122701
2015	90412	20503	131494
2016	93746	25332	140503
2017	96293	27705	146264
2018	94332	29361	148319
2019	92319	33146	152076

Source: Annual Reports of RBI

*Total Number of Branches Scheduled Commercial Banks Excluding Regional Rural Banks

The data indicates that the implementation of Neo-liberal measures with structural changes to theeconomy in 1991–1992 was when the actual shift for the growth of bank branches occurred. Following the implementation of the New Economic Policy, there is more scope for the expansion of private-sector banks as well as increased demand for such banking industry. As a result, both the public and private sectors saw a strong growth of bank branches after 2012. According to the statistics in Table 3.1, public service banks' branch counts climbed from only 7015 in 1969 to 71562 in 2012 and 92319 in 2019 from that point. In the instance of private sector banking, the similar pattern could be seen. By 2019, there were 33146 private sector banksoperating, up from 900 in 1969.



Graph: Growth of Banking Sector after Economic liberalization (1969-2019)

Trends in Growth of Bank Branches of Selected Banks

Ten private sector banks and eleven public sector banks are taken into consideration for the study, as was previously stated. The increase of bank branches of the chosen public and private sectors banks in India from 2006 to 2018 is shown in the following table as trends.

Table:- Trends in Branch Expansion of Sample Banks (2006-2018, 2019)

Year	Number of Branches	
	Public Sector Banks	Private Sector Banks
2006	26517	3125
2007	27431	3672
2008	30664	4515
2009	32698	5650
2010	35805	6725
2011	39452	8503
2012	41758	9951
2013	44101	11595
2014	49360	13557
2015	52868	15727
2016	54865	17559
2017	56533	19040
2018	60864	19974
Percentage Change	129.53	539.16
Average	42532	10737.92
CV	27.30	55.65

Source: RBI, Annual Reports of Banks

Note: CV is Coefficient of Variation in the Usage during the Financial Year 2006 -07 to 2017-18

According to the report, public sector bank branches expanded by 128 percent, from only 26517 in 2006 to 60864 in 2018. In contrast hand, private sector bank branches expanded from 3125 to 19974 outlets during the same time period, a 539.16 percent growth. Despite their rapid expansion, private industry bank branches still pale in comparison to those of public sectorbanks. Whereas there is more variety in the growth of private sector banks branches (CV of 55.65%) than public sector bank banking institutions (CV of 27.30%). This is understandable given that public sector bank offices have been added gradually while the number of private sector banking institutions has grown significantly in recent years.

Average Deposits and Advances

One measure of a bank's financial success is the number of deposits and advances made by the institution. Tables 1.3 and 1.4 shows the average savings and advances of such chosen banks between 2006 to 2017.

Table:- Average Deposits of Public and Private Sector Banks during 2016 -17 to 2018-19 (Rs. in Crores)

Public Sector Banks			Private Sector Banks		
SI No	Bank Name	Average Deposits (2006 -2017)	SI No	Bank Name	Average Deposits (2006 -2017)
1	Bank of India	3,20,346.23	1	AXIS Bank	2,06,907.35
2	Canara Bank	3,06,776.10	2	Dhanlaxmi Bank	8,666.24
3	Corporation Bank	1,27,894.99	3	HDFC Bank	2,74,568.02
4	Dena Bank	72,964.34	4	ICICI Bank	2,86,587.14
5	IDBI Bank	1,72,531.95	5	IndusInd Bank	48,796.82
6	Indian Overseas Bank	1,52,676.10	6	Karnataka Bank	31,431.21
7	Punjab National Bank	3,41,389.16	7	Karur Vysya Bank	29,296.12
8	State Bank of India	10,68,846.31	8	Kotak Mahindra Bank	51,862.49
9	State Bank of Mysore	44,202.04	9	South Indian Bank	34,150.36
10	Syndicate Bank	1,60,771.69	10	Yes Bank	54,114.95
11	Union Bank of India	2,16,385.39			
12	Vijaya Bank	82,678.85			
	Average	2,55,621.93		Average	1,02,638.07
	Variability (%)	107.32		Variability (%)	105.77

Source: Annual Report of Banks and Moneycontrol.com

Note: CV is Coefficient of Variation in the Usage during the Financial Year 2016 -17 to 2018-19.

The public service banks' average reserves are much greater than those of the private sectors banks. The median deposit in the top 12 public sectors banks was Rs 255622 crores, compared to Rs 102638 crores for such top 10 privately held banks. During the time frame, SBI (before the merger of many other state banks) got the most deposits. SBI's average bank deposits from 2006 to 2017 was Rs. 1068846 Crores. PNB, the following public sector bank, had the highest deposit at Rs. 341389 billion. On the other hand, private enterprise banks' deposits vary from Rs. 286587 billion to Rs. 8666 billion. Only 3 private-sector banks have exceeded

Rs. 200000 crores in deposits. However, there is more interbank variance in the public sectors bank case as seen by their larger coefficient of variation (107.32%). Private banks have a variation of 05.77 percent. The variance is brought on by SBI's huge deposits. SBI's deposits and those of the various public sector banks vary significantly.

The pattern is also seen in advances. The average advances made by the public business aremuch greater than those made by banks in the private sector.

Table:- Average Advances of Public and Private Sector Banks during 2016 -17 to 2018- 19 (Rs. in Crores)

Public Sector Banks			Private Sector Banks		
SI No	**Bank Name**	**Average Advances (2006 - 2017)**	**SI No**	**Bank Name**	**Average Advances (2006 - 2017)**
1	Bank of India	2,35,392.73	1	AXIS Bank	1,69,739.83
2	Canara Bank	2,14,806.97	2	Dhanlaxmi Bank	5,695.27
3	Corporation Bank	89,473.32	3	HDFC Bank	2,21,077.28
4	Dena Bank	49,882.65	4	ICICI Bank	2,79,435.42
5	IDBI Bank	1,48,866.50	5	IndusInd Bank	41,704.28
6	Indian Overseas Bank	1,13,167.85	6	Karnataka Bank	20,720.00
7	Punjab National Bank	2,53,199.12	7	Karur Vysya Bank	22,271.82
8	State Bank of India	8,67,059.36	8	Kotak Mahindra Bank	46,753.21
9	State Bank of Mysore	34,541.78	9	South Indian Bank	24,424.62
10	Syndicate Bank	1,23,313.96	10	Yes Bank	44,477.55
11	Union Bank of India	1,56,792.85			
12	Vijaya Bank	56,474.21			
	Average	1,95,247.61		Average	87,629.93
	Variability (%)	114.49		Variability (%)	111.84

Source: Annual Report of Banks and Moneycontrol.com

Note: CV is Coefficient of Variation in the Usage during the Financial Year 2016 -17 to 2018-19

Although public sector banks extended an average of Rs 1,95,247 crores between 2006 and2017, private sector banks increased an aggregate of Rs 87,630 crores over the same time period.State Bank of India supplied the most amount of advances (Rs 867059 Crores). The advances arebetween Rs 867059 and Rs 34542 billion.

The largest advances were provided by ICICI Bank inside the case of privately held banks. From 2006 to 2017, the bank advanced an average of Rs 279435 Crores. AXIS Bank and HDFC Bank are the other 2 banks with more advances. In comparison to private sector banks, public banking institutions exhibit more interbank diversityin advances.

Operational Efficiency

By dividing operating costs by annual revenue, the operational performance of each banks was determined. Table 1.5 shows the average effectiveness for each bank during 2006 and 2017 as well as the variability. A lower percentage indicates more operational efficiency when operational efficiency is computed as a proportion of operating expenditures.

Table:-Average Operational Efficiency of Public and Private Sector Banks (2016 -17 to 2018-19)

Public Sector Banks				Private Sector Banks			
SI No	Bank Name	Average Efficiency	Variability (CV)	SI No	Bank Name	Average Efficiency	Variability (CV)
1	Bank of India	0.98	17.27	1	AXIS Bank	1.46	6.38
2	Canara Bank	0.95	11.95	2	Dhanlaxmi Bank	1.84	14.82
3	Corporation Bank	0.87	20.56	3	HDFC Bank	1.94	11.22
4	Dena Bank	1.07	19.03	4	ICICI Bank	1.55	4.74
5	IDBI Bank	0.78	22.54	5	IndusInd Bank	1.66	18.18
6	Indian Overseas Bank	1.14	16.35	6	Karnataka Bank	1.13	10.73
7	Punjab National Bank	1.17	14.62	7	Karur Vysya Bank	1.2	17.76
8	State Bank of India	1.42	13.14	8	Kotak Mahindra Bank	2.63	20.33
9	State Bank of Mysore	1.33	27.47	9	South Indian Bank	1.1	22.89
10	Syndicate Bank	1.07	28.92	10	Yes Bank	1.31	17.65
11	Union Bank of India	1.1	10.83				
12	Vijaya Bank	1.11	24.71				

Source: Annual Reports of Banks and Moneycontrol.com

Note: CV is Coefficient of Variation in the usage during the financial year 2016 -17 to 2018-19

According to the research, public sector banks are more efficient than private sector banks. Four of the 12 public sectors banks, among the total, exhibit efficiency levels under 1%. But when it comes to private sector banks, most of them reached an efficiency level of above 1%. However, as in instance of public sector banks, there is more variation. From about 11 percent at Union Bank of India to 29 percentage at Syndicate Bank, it varies. On the other hand, the range for private sector banks seems to be between 4.74 percent for ICICI Bank to 23 percentage for SouthIndian Bank. With a variability of 22.54, IDBI Bank has the greatest operating efficiency amongst some of the public sector banks. However, due to increased operating costs, State Bank of India exhibits the lowest operational efficiency. SBI reported the highest operating costs per branch at Rs. 2.49 Crore. Kotak Mahindra Bank has had the least efficiency amongst private sector banks during 2006 and 2017.

Expansion of it based services in banking sector in India

"The banking sector in India" realized the need for computerization to improve its customer services and MIS reporting from during the early 80s when India was experiencing IT revolutionalong with the rest of the world. But it picked up momentum with the liberalization policies that the country adopted during the reform period. "Reserve Bank of India" established a committee to looked into the computerization process in banks in 1988.

The New Economic Policy introduced as part of the economic reforms during the early 90s witnessed a change in the structure "of the banking sector in India with the participation of private sector banks in the banking sector". Liberalization and Globalization process gave an "opportunity for the entry of several private sector and international banks". This increased greater competition among the banks & "public sector banks" were expected to play the role of level playing field.

The banking sector in India has adopted technology in Bank Mechanization and Automation. The introduction of standard cheques, encoders, and MICR based cheque processing in the 1980s and the introduction of Electronic Funds Transfer (EFT), Core Banking Solutions and implementation of ATM (Automated Teller Machine) in the 1990s improved the overall efficiency of banking operations. The Reserve Bank of India has taken strong initiatives "in strengthening the Payment and Settlement Systems in banks".

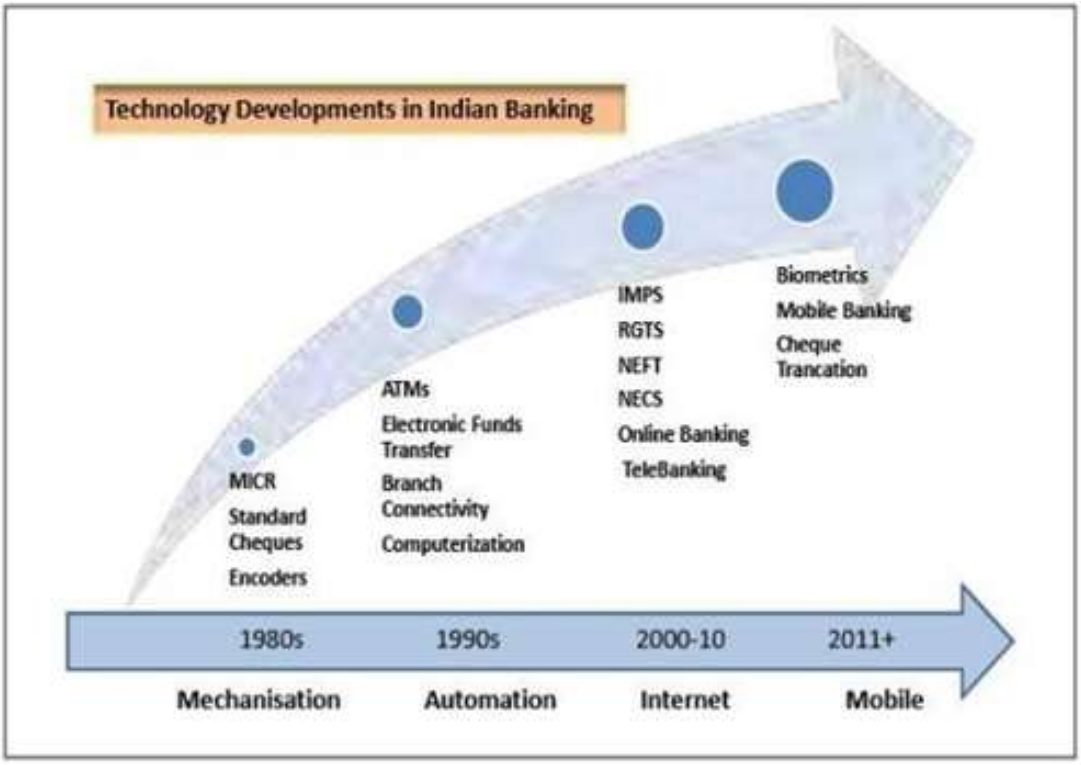


Figure 1.3: Technological Milestones in the Indian Banking Sector

Source: ICMAI, Jan 2020

After 1991 due to new economic reform, new private sector banks were established their business with the latest technology of the time. Even they attracted customers from old banksinto their fold. This forced the existing banks to concentrate on adapting technology in their business as well. Nowadays all banks' aim is giving quick, accurate and quality services to their customers and Digitization is the highest agenda for all Indian banks. To point out the digital revolution in the Indian banking sector, IMPS, RTGS, NEFT, NECS, Online Banking, TeleBanking, Mobile banking are significant landmarks. Internet banking has changed the form of banking by conducting “financial transactions on a secured website operated by banks”.

In the long run, Robotics, enabled by Artificial Intelligence (AI), is expected to bring major changes in the banks worldwide. The business advantage which AI offers is more than the risks people perceive.

Nowadays, technology is considered to be the key to Indian banking. IT had affected extremely the banking sector. By using technology, In addition to guaranteeing correct information at a quicker pace for financial transactions, banks have the ability to provide consumers services of a higher calibre. Therefore IT in the

banking sector has become an inescapable part. Indian banks are using different technologies to give banking services to their customers. This section indicates the important technologies used in Indian banking operations.

IT Based Banking Services Several instruments are developed to improve the transparency and efficiency in the banking services. The following are the details about the banking services based on IT.

Automated Teller Machine (ATM)

An ATM machine is indeed an electronic device that enables the user to immediately access theirbanking accounts via a secure mode of communication. ATMs were made for resolving problems like reducing the pressure of labour unions, available 24×7, and reducing queue of the customer in bank branches. Nowadays ATMs are considered a new technology in banking for reducing the cost of the transaction and increasing the convenience of customers. ATM isoperated by plastic cards with some features to withdraw or deposit funds, check accountbalances, check statements information, transfer funds, order a cheque book, advertising regarding banking product, mobile recharge, ticketing, and bill payment, etc. To use any servicesat ATM, customers should enter the personal identification number (PIN) for authentication in the bank. Now ATM of one bank can be used on any other bank ATMs in the bank due to an ATM switch network.

Tele-Banking

It is sometimes referred to as Phone Banking and even sometimes Telephone Banking. A feature that the bank offers to its clients is phone banking, which enables them to do transactions through landlines and mobile devices. A voice-recognition automated phone responding system or a cellphone keypad response is used for the majority of telephone banking services. Customers are authenticated via a password, either verbal or numerical, or by answering security questions posed by a live person. “Telephone banking has offered” all features of an automated teller machine except cash withdrawals and deposits.

Mobile Banking

“Another service is provided by the bank” to the customer for performing banking transactions through mobile phones or tablets. Through mobile banking, customers can perform balance checks, account transactions, mobile recharge and payment of utility bills, etc. "Short Message Service (SMS)" or an application that has been downloaded to the phone may also be used to access mobile banking services. The largest barrier to online banking—the need for a desktop or laptop including an internet connection—is removed by mobile banking.

Mobile banking through WAP (wireless application protocol), SMS messaging, and unstructured supplemental structured services would these be three options (USSD). Because of mobile banking's ability to provide everywhere, anytime banking services, it has become more popular than online banking.

Internet Banking

"Internet banking is also called as Online banking", Virtual banking, and Web banking. The internet provided a free exchange of information via a global interconnected network. Online banking had given banks to provide their products and services through the internet due to easy accessibility to an internet facility and the availability of a computer. "Banks offer internet banking services in two ways". The 1st one by adding the internet as additional channels with branch banking and the second is virtual banks by starting the internet.

Plastic Cards

The plastic card is a unique electronic payment type. It is also known as a stored-value card or electronic purse system. The plastic card technology is used for purchase products and services through the internet or market, withdrawal of funds, deposit funds, etc. The cashless has been increased due to different types of cards like Debit Cards, Credit Cards, Visa, American Express,and Prepaid Cards.

Credit Cards

This is a post paid card. The use of a credit card relies on the cardholder's pledge to reimburse forthe products and services purchased. The first bank in India that introduced the credit card was "the Central Bank of India, Known as" "Central Card" in 1981. The banks' pre-decided limit of credit according to the individual credit rating and interest is charged after decided time. Credit Cards are used in India like Visa, Master Card, American Express, etc. The different kinds of credit cards are issued in India like Gold Card, Silver Card, Platinum Card, Business Card, and Prepaid Credit Card.

Debit Cards

A debit card is a plastic card and known as check cards also. The debit card built on credit card infrastructure and ATM network basis for obtaining cash, making payments, "accessing detail accounts information, charging PIN, etc". "Banks provide a debit card to customer freely at the time of opening account. For the security purpose of using debit cards, RBI declared that foreach transaction through the debit card on ATM user has to enter" the PIN from January 2011. The major benefit of using debit cards is replacing interest bearing debt

created through credit and due to payment through actual amount in customers' accounts. Visa, Master Card, and American Express are three major issuers of debit cards which were accepted largely in almost countries.

Electronic Fund Transfer (EFT)

It is also called an online transaction. "Electronic Fund Transfer (EFT) is a transaction that takes place" from one bank account at the same banks or to different bank accounts without any paper money due to initiation through the electronic terminal like ATM, Credit card, Fed wire andpoint of sale (POS) transactions. EFT payments are extremely secured because of the need for complete details like Beneficiary's billing address and also the bank's IFSC code.

National Electronic Fund Transfer (NEFT)

National Electronic Funds Transfer is an Indian company that enables electronic money transfersbetween bank accounts. The Reserve Bank of India first offered these services in 2005. The Deferred Nets Settlement (DNS) system used by the NEFT settles transactions in hourly batches.

Depending on netsettlement, NEFT operates. The primary benefit of NEFT transfers is that thereis neither a minimum or maximum amounts that may be sent.

Real Time Gross Settlement (RTGS)

The "Real Time Gross Settlement is funds transfer on a real time" from one bank to any other bank. The transaction can be done at "real time" so fund transfer will happen at the moment of operation. The RTGS is basically transferring "large value and the minimum amount to be transferred is Rs. 2 Lakh. RTGS is" one of the fastest interbank money transfer facility due to RTGS happens in real time.

Electronic Clearing Service (ECS) The Electronic Clearing Program is an electronic means of transferring money between bank accounts at different or affiliated branches within the same financial institution. Institutions may utilise the ECS service to make payments, particularly large ones like the distribution of dividends interest, salary, and pensions, among other things. You may utilise the automated clearing service for both credit and debit transactions. This service is offered by RBI since 1996-97 under Electronic Clearing Corporation.

Immediate Payment Service (IMPS) The National Payment Company of India established the Immediate

Payment Service, a mobile phone-based interbank electronic quick money transfer service. To transfer money with IMPS, you must register with the service and have a 7-digit "MMID (Mobile Money Identifier) number". The IMPS facility is available via iMobile and Internet banking. IMPS is a most convenient and instant mode of transferringmoney between account holders and banks. Specific features of IMPS are availability 24×7, security and confirmation on transfer immediately.

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