



Research Paper

## Challenges for the Indian banking industry

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**Abstract:**

The banking industry is currently facing changing priorities as if it were heading for digitalization. Due to the many technological revolutions in the banking sector, there are still challenges to overcome. We need new ideas and ways to accomplish our tasks in a larger role with our customers at the forefront of the future. Electronic banking in India is still in the early stages of growth and development. The face of banks has changed due to changes in technology and intensifying competition. Basically, electronic banking is the use of a computer to retrieve and process bank data and initiate transactions directly with the bank over a telecommunications network. In other words, banks are the wave of the future. Electronic banking not only presents host opportunities, but also poses new challenges for authorities in the regulation and supervision of financial systems and the design and implementation of macroeconomic policies.

**Keywords:** Banking Industry, Revolution, Digitalization, Changing Technology.

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### I. Introduction :

The traditional functions of banking are limited to accept deposit and to give loan and advances. Today the situation is completely changed. Today banking is known as innovative banking. Today banks comes with a lot of innovative ideas that are oriented to provides a better customer services with the help of new technologies. Indian banking sector today has the same sense of excitement and opportunity that is evidence in the Indian economy. In the competitive banking world improvement day-by-day in customer services is the most useful tool for their better growth. Banks pays an important role in the economic development of various country as like India. Economic development involves investment in various sectors of the economy. In normal banking the banks perform agency services for their customers and help economic development of the country.

Banks arranges foreign exchange for the business transactions with other countries. Banks not only collects funds but also serve as a guide to the customer about the investment of money.

### Objective's of the study :

- (a) To explain the changing banking scenario.
- (b) To identify the challenges for the Indian banking sector.
- (c) To study the opportunities for the Indian banking sector.

### Present Scenario of Indian Banks :-

The present banking scenario provides a lot of opportunities as well as facing lots of challenges also. India is being fundamentally strong supported by concrete economic policies decision and implementation by the Indian Government. Today in India, the service sector is contributing half of the Indian GDP and the banking is most popular service sector in India. The significant role of banking industry is essential to speed-up the social economic development. To improve major areas of banking sector, Government of India, RBI and Ministry of finance have made several notable efforts. Many of leading rules and regulation such as CRR, interest rate, special offers to the customers such as to open account in zero balance. In addition to this, now a days banks are entered in non-banking products such as Insurance in which they have tremendous opportunities.

### Challenges faced by banks :

#### (a) Increasing competition

The emergence of Fin. Tech./non-bank startups changing the competitive landscape in financial services, forcing traditional firm's to rethink their way to do business. Fin. Tech. has their way to success to provide a simplified and intuitive customer experiences.

*(b) Cultural shift*

In this era of digital world there's no room for manual processes systems like Artificial intelligence (AI) enabled wearables that monitor the wearers health to smart thermostats that enable you to adjust beating setting from internet-connected devices, technology has become ingrained in our culture and this extends to the banking industry. This cultural shift towards a technology first attitude is reflective of the larger industry - wide acceptances of digital transformation.

*(c) Regulatory compliance*

Regulatory compliance has become one of the most significant banking industry challenges as a result of dramatic increase in regulatory fees relative to earnings and credit-losses since the 2008 financial crisis few of them are.

**Basel III**

Published in 2009, Basel III is a regulatory framework for banks established by the Basel Committee on Banking Supervision. Basel III's risk weighted capital requirements dictate the minimum capital adequacy ratio that bank must maintain.

**Dodd-Frank Act**

Passed during the Obama administration the Dodd-Frank Wall Street Reform and Consumer Protection Act placed regulations on the financial services industry and created programs to prevent predatory lending.

**CELL -**

Created by Financial Accounting Standards Board, the CELL is an accounting standard that requires all institutions that issue credit to estimate expected losses over remaining life of the loan, rather than incurred losses.

**ALLL**

In a reserve that financial institution's establish based on the estimated Credit risk within their assets. There are growing number of regulations that banks and Credit Unions must comply with compliance can significantly strain resources and is often dependent on the ability to complete data from disparate sources.

*(d) Changing business models :*

The cost associated with compliance management is just over of many banking industry challenges taking. The banking system to change their way to doing business. These all leads many institution to create new competitive service offerings rationalize business lines and seek sustainable improvement in operational efficiency to maintain profitability.

*(e) Rising Expectation :*

Customer demographics play a major role in these heightened expectation. Mobile banking user percentage is about 47%. Here is a need of hybrid banking which satisfies the older generation's and younger generation at the same time. Investor expectation's also must be accounted for because they need to know what they will receive in return.

*(f) Customer retention :*

Customer loyalty is a product of rich client relationship's that begin with knowing the customer and their expectation, as well as implementing an ongoing client-centric approach using sentiment analysis and recognition of emotional clues they can quickly evaluate, escalate and route complex issues to humans for resolution.

*(g) Outdated Mobile experiences :*

A bank's mobile experience needs to be fast, easy to use, fully featured (think live chat, voice-enabled digital assistants, and the like). Secure and regularly updated in order to keep customers satisfied.

*(h) Security breaches :*

Security is one of the leading banking industry challenges as well as a major concern for bank and credit vision. Customers financial institution's must invest in the latest technology-driven security measures to keep sensitive customer safe. Ex- AVS (Address Verification Service) E2EE (End-to End Encryption, (E2EE) for secure communications, Biometric authentication (mentioning unique biological characteristics), location

based authentication (to prove an individual identify), RBA (Risk-based authentication (Varying levels of stringency).

*(i) Antiquated application :*

Like (AI) offers a significant competitive advantage by providing deep insights into customer behaviour and needs giving ability to sell the right product at the right time to the right customer.

*(j) Continuous Innovation :*

Sustainable success in any business requires insight, agility, rich client relationships and continuous innovation. Cloud technology systems to evolve along with any business.

## **II. Conclusion :**

Indian bank are trust worthy brands in Indian market, therefore these banks must utilise their brands equity as it is a valuable asset for them. Various challenges and opportunities like transparency, growth in banking sector global banking, managing technology etc. Banks have to strive very hard to deal with competition. The competition from global banks and technological innovation's all are the world compelled the banks to rethink their policies and strategies, finally the banking sector will need to master a new business model by building management and best customer service.

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