EMERGING TRENDS IN BANKING

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Indian economic environment is witnessing path breaking reform measures. The financial sector of which the banking industry is the largest player, has also been undergoing a metamorphic change. Today the banking industry is stronger and capable of withstanding the pressures of competition. While internationally accepted prudential norms have been adopted, with higher disclosures and transparency, Indian banking industry is gradually moving towards adopting the best practices in accounting, corporate governance and risk management. Interest rates have been deregulated, while the rigour of directed lending are being progressively reduced.

Emerging Issues

Technology :-Public sector banks have been late entrants in respect of technology, their level of technology absorption has been low. Recognizing the need for using IT, the banks have gone for large scale computerization of branches. Further, banks have been required to cover 70% of their business through computerization as per the Central Vigilance Commission (CVC) directive. In contrast, the newer private sector banks have achieved high level of automation and have started offering electronic banking products including Mobile Banking to their top end customers. They have also moved towards electronic banking which include ATMS, shared ATM networks, issue and distribution of plastic cards, tele-banking, on-live submission of loan applications etc.

With the recent establishment of INFINET (Indian financial Network) by RBI, using V-SAT technology has become possible. The INFINET will provide inter-bank connectivity and would eventually help introduction of various electronic banking products addressed to different market segments and help implementation of Real Time Gross Settlement system (RTGS).

Financial Innovations -Technologies is credited with 'ending geography' as funds today flow in a seamless world. Banks cannot perform in a competitive environment unless there are means of mitigating various risks. Derivative instruments like, swaps, options, futures etc., enable such risk mitigation. As the Indian financial market moves towards more sophistication, some of these instruments have emerged as in the case of internet rate swaps futures etc. It is proposed to introduce comprehensive legislation to facilitate securitization. But there is a need for more such instruments considering that globalization of the corporate sector and as the Indian economy integrates with the whole world.

Ratimalisation of man power-In their bid to control expenses, banks are also cutting down on tiers of control and rationalizing their branch network by mergers and closure wherever required. As part of such rationalization, banks should also be allowed to close down unviable rural branches. Instead, the 'Satellite Brach' concept could be used in such areas to continue with the provision of banking services.

Customer Relationship Management-Banks have understood that they have to put the customer at the center of their thinking CRM-Customer Relationship Management is the latest buzzword.

Data mining has become an important tool for decision making by the management. Executive Information System (EIS) and Decision Support System (DSS) have become faster and more accurate through data mining. Some of them are Customer relationship management, field level sales force, help desk, call centres, interactive voice response systems, interactive television and e-mail.

Retail Banking-Indian banks are going to retain banking in big way. Retail banking which is designed to meet the requirement of individual customer has enormous potential and it is associated with lesser risk than corporate banking. Banks are now for ageing into net banking, consumer finance, housing finance, merchant banking and insurance.

Transparency and Disclosure Practices-Transparency has come to be regarded as the golden rule for the orderly behaviour of the financial system. It checks against under risk. It decrease the vulnerability of markets to sudden shift in sentiment. It also encourages healthy competition in the financial system. Transparency of business operations ensures market discipline.

Credit to the Weaker Section-Tendency of the banks to grant more loans to weaker section of the society has been on the increase. In order to grant liberal loans to small and poor people, principle of preference to weaker section is being pursued extensively. This section includes, small and marginal farmers, landless labourers, cultivators, carpenters, arti-

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sans, small and cottage industries, beneficiaries of integrated rural development programme, scheduled castes and scheduled tribes and beneficiaries of differential interest rate. Target was fixed to make them available by March 1985 at least 10 percent of the net bank loans. In 1999, the commercial banks have advanced loans amounting Rs. 1,953 crore under Integrated Rural Development Programme. The Public Sector Banks have also advanced loans worth Rs. 508 crore by the end of Jan.2000 to weaker section of the society under Differential Rate of Interest Scheme.

Conclusion:

Indian banking system will further grow in size and complexity while acting as an important agent of economic growth and intermingling different segments of the financial sector. It automatically follows that the future of Indian banking depends not only in internal dynamics unleashed by ongoing returns but also on global trends in the financial sectors.

Indian Banking Industry has shown considerable resilience during the return period. The second generation returns will play a crucial role in further strengthening the system. Adoption of stringent prudential norms and higher capital standards, better risk management systems, adoption of internationally accepted accounting practices and increased disclosures and transparency will ensure the Indian Banking industry keeps pace with other developed banking systems.

RERFERNCES

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2. In writing this article the author has taken help of various issues of Business Week, The Economist, Business Today, The Economic Times and Financial Express.