

# Industry Analysis Research Paper on Evolution of Banking Industry in India

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**Abstract:-** Banks are the major source of finance for any country like wise in India we find that Reserve Bank of India is the main bank which control the monetary supply in the country further banks also provide major source of assistance at the time of crisis. As we all know that Banks act as the backbone of the financial pillar of every country and so it is important to understand the evolution of banking, how the banking industry took place as emergence?, what was the need to introduce banks in the country?, How the banks developed in recent times? What all policies has been implemented for the stronger and transparent functioning of the bank?, we will have the answers to all these questions in this research paper. This research paper will provide the readers a gist of the Indian banking system. There will also study the vast changes which took place overtime in the banking industry as well as we will also get to know what will be the future of banking look like. So it is important to study the banking industry to evaluate ourselves with the trends and changes in the banking industry.

**Keywords:-** Evolution in Banking, Changes in Banking Industry Overtime in India, Banking Evolution in India.

## I. INTRODUCTION

As we all know that a Bank's primary function is to accept deposits and provide loans to its customers and therefore channelizing the flow of money and keeping the record of all the financial transactions which are happening day in and day out.

As we know that Reserve Bank of India is the powerhouse of printing and distribution of money in India and therefore it regulates all the decisions related to distribution printing as well as flow of money in the country is directed by the Reserve Bank of India.

The technological transformation in recent time has brought about a vast change in the functioning of banks. The mixture of Information Technology with Banking has made it a lot easier for people to transact and has brought about a transparency in functioning of banking. There is hassle free transactions taking place within seconds from any part of the country and therefore it has been a lot easier than it was before to be customer of the bank and enjoying the privilege.

## II. PURPOSE

The purpose of this research paper is to analyze the evolution of banking industry in India as well as to notice the changes in the policy and functioning of the banks which took place in recent times Further this research paper will let us know the blockages in the Banking chain as we will learn about how the emergence of technology with banking has helped banking sector grow.

## III. HISTORY OF INDIAN BANKING SECTOR

Before the emergence of Banking Industry people used to transact as exchanging of goods to one another and this system was called the barter system as there was no introduction of cash into the market. Soon after the emergence of banks it has eliminated the barter system as there was introduction of cash into the market and the prices of products were also made.

The very first bank developed in India was during the British era and the British East India Company established three banks the first one was The Bank of Bengal which was formed in the year 1809 then Bank of Bombay in the year 1840 and then The Bank of Madras in the year 1843. These three banks were later merged into Imperial Bank by the Britishers. Soon after the Independence of India, these banks were taken over by State Bank of India in the year 1955. The Reserve Bank of India was formed in the year 1935 in Kolkata followed by Punjab National Bank which was

founded in 1894 by Lala Lajpat Rai further State Bank of India was founded in the year 1955.

So let us have a table of expansion of banking system with the help of the chart

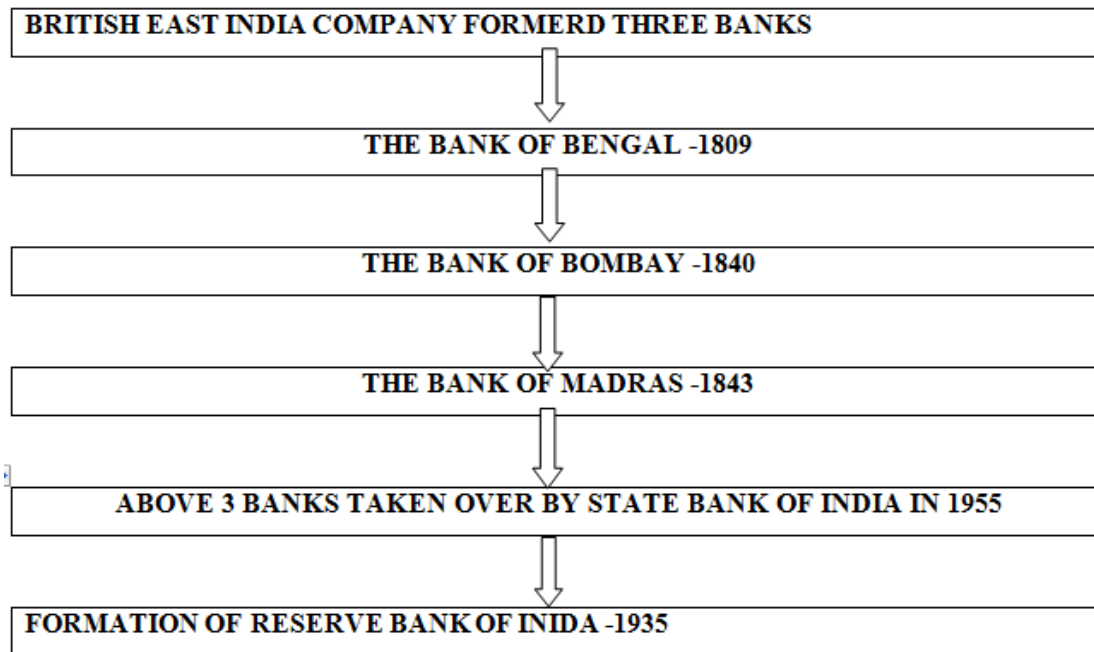


Fig 1

So now it is easier to understand the expansion of Indian Banking System.

**IV. LITERATURE REVIEW**

➤ *Adoption and Awareness of Indian Banking System*

Reserve Bank of India was formed on 01<sup>st</sup> April 1935 and it was formed to regulate the issue of bank notes, maintain reserves and to operate credit currency system, therefore it plays an important role in the efficient working of the economy. After the establishment of RBI many new rules and regulations were formed and therefore it was build up of the uniformity of the nation.

In recent times there has been a vast change in the banking policies and the functioning of the banks. We find that today’s banks are more secure and provide additional security for its customers data and therefore more and more preventive measures are taken by banks for prevention of theft from customer’s data and bank balance.

Banks have further uses the policy of telemarketing like sending messages and making calls to its customers and letting know about interest rates on deposits and saving accounts, further they also let us know about the additional services which they are able to provide to its premium customers.

The RBI has further issued a notice that if any complaint lodged under any bank and if the banks are not able to

provide resolution within a month to its customers then the customer can directly file a complaint to Reserve Bank of India stating the details of complaint and then the RBI will take necessary action regarding the bank which is a very good initiative and further the banks also communicate not to share the details of bank account and debit card to anyone even if the caller seems to be an bank employee because the bank never asks for it.

**V. THE ADVANTAGES OF E-BANKING TO CUSTOMERS**

Nowadays it is a digital era and in today’s modern world most things happen on click of touch and so are the banking services are advanced. Nowadays people mostly surf on their smart phones and therefore the banks have introduced the Mobile Banking Apps and Wallets thereby the customers can directly make payments, download statements, view status of particular transaction and also have multiple options like adding a third party beneficiary details for fund transfer, etc.

The following are the advantages of Banking to its customers

1. The customer can right away make utility payments through any corner of the country; therefore it helps in avoiding penalties which may occur due to late payments of utility bills.
2. A new system of funds transfer has been introduced in recent times which is called as IMPS (Immediate Payment

Service) It is a type of transfer in which the amount is credited to the beneficiary account immediately after the transfer

3. The banking also provides OTP (One Time Password) at the time of transaction which helps in ensuring secure transaction of the payment
4. Nowadays banks also provide E Statements of the account to its customers helping saving the environment /nature
5. Nowadays there are CDM's (Cash Deposit Machines) available at the ATM counters of the bank branch which help customers deposit cash into their bank account using debit card and account number and these systems are available 24x7.

#### **VI. BENEFITS OF BANKS TO OTHER INSTITUTIONS**

1. The banks provide privileged services to its privilege customers like the banks provide doorstep cash as well as cheque collection services at the door step so the customer finds it hassle free to transact with the bank as he doesn't need to go physically to the bank branch.
2. The banks further provide loans to institutions when and at the time they need it.
3. Some banks also provide foreign currency exchange.

#### **VII. RESEARCH METHODOLOGY**

This research is based on secondary data and the data used here is written taking help of various research papers taken from various sources like EBSCO research paper, IBEF research paper, Google scholar research paper, Cognizant research paper etc. All the research papers have been analyzed and then this research paper is made to understand the evolution of banking as well as expansion of banking in India therefore this research paper will help readers to understand the expansion of banking and the recent trends in banking which took place in recent times as well as how the formation of banking took place in the Indian economy.

#### **VIII. FUTURE SCOPE OF BANKING INDUSTRY**

As of now as we know that banking industry is very vast in today's globally digitalized economy and therefore there has been very vast and rapid changes which took place in the banking sector economy as of now bank is not only limited to accept deposits and giving loans to its customers the banks nowadays have to provide more and more services to its customers because there is cut throat competition in the market of today.

1. The future scope of Banking Industry would be AI (Artificial Intelligence) based KYC (Know Your Customer)
2. AI chatbots will help in improving customer self service and will provide value added customer services

3. The future of banking will be cashless transactions at customer's convenience and therefore there would be no or limited amount of cash used in the market.
4. There will be full transparency in accounting of the income and expenses of an individual
5. There will be utmost protection to customer's data and e money present in the bank.
6. There will be hassle free process for account opening in any bank
7. Only minimum documents will be required by the consumers to open the bank account and all the systems will be paperless and there will only be scanning of particular documents which will enable to do the E KYC

#### **IX. CHALLENGES IN BANKING SECTOR**

As we know that there has been technological advancement in each and every sector as of now and so now as the technology has improved so is the threat to the consumer database and therefore we have to be very careful in this regard.

The following are the Challenges in the Banking Sector

1. Data breaches of customers, the advancement in the e banking has also lead to threat of data breaches
2. As we know that the banks have evolved overtime but still there is a large number of populations is illiterate and doesn't know how the bank functions.
3. The banks provide huge loans to its customers but some of them do not repay the loan amount which indirectly leads banks to have higher debts and therefore it may also lead to the fall of the economy.
4. As of now we find that there is cut throat competition in the banking sector as there are many banks present in the market which provide more and more services to customers even door step services to customers and hence it creates a cut throat competition in the market and which may also lead to the point of survival of banks.
5. In recent times it can be the problem that the banks are unable to bridge the gap between promises and performances of banks which may lead to withdrawal of accounts from the customers.

#### **X. CONCLUSION**

After analyzing different research paper and collecting information from different sources it can be concluded that there has been enormous changes which took place in different phases. Despite various changes which took place in the banking sector. The introduction of E-Banking services has brought about a major change in the transaction of the banking system, many new methods of E banking have been introduced but we find that with improvement in technology there is also a threat to the data of the customers. Although banks takes steps to avoid such problems which maybe faced by the customers of the bank. As we know that the only thing permanent in the world is the change therefore there is a vast

scope of Indian banking industry in future as in future there will be mostly IoT (Internet of Things) based technology and the AI based technology which will help people process the banking transactions very fast and their own convenience the people can transact at any time and at place of the country.

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