

A Study on The Challenges of Banking Services

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Abstract

The world economy is a top concern for bankers, with high debt, interest rate uncertainty and emerging market slowdowns of all external risks. An interesting finding for this year relates to technology risk and criminality, both now in the top five concerns for tightening regulatory requirements and political interference. Cyber-attacks are increasingly seen as a top concern for bankers. Respondents were concerned about how under investments in banking technology systems leave the banking services vulnerable to potentially large and crippling attacks. Even banks with strengthened technology systems are only as strong as their market link, rendering them vulnerable to cyber-attacks. The present study employed convenience sampling method. Financial institutions would enjoy a stable, predictable interest rate environment. The constant evaluation of local and international regulation is a major driving force in the banking services.

Keywords: Cyber-attack, technology risk, banking information, banking service, service quality, etc.

1. Introduction

The financial and economic conditions in the country are superior to any other country in the world. Indian banking industry has recently witnessed the roll out of innovative banking models like payment banks and small finance banks. RBI's new measures may go a long way in helping the restructuring of the domestic banking industry. The digital payments system in India has evolved the most among 25 countries with India's immediate payment service being the only system at level 5 in the faster payments innovations index. The Indian banking system consists of 27 public sector banks, 21 private sector banks, 49 foreign banks, 56 regional rural banks, 1562 urban co-operative banks and 94384 rural co-operative banks, in addition to co-operative credit institutions. India's retail credit market is the fourth largest in the emerging countries. Banking sector helps a country to spread banking activities in rural and semi-urban areas. Agriculture is the backbone of any country like India. The commercial banks help the large

agricultural sector in developing countries. They provide loans to traders in agricultural commodities. Presently India has 88 scheduled commercial banks. Macroeconomic risk is the top concern for bankers, risk managers, and analysts surveyed are concerned about current positive growths in the result of artificial conditions created by low interest rates, and that the prospects of a recession / deflation are strong.

2. Review of literature

Deva Devan (2013) stated that technology plays an important role in banking sector. The author studied the mindset and analyzed the security issues in the banking in India.

Nilesh Vithal Limbors (2014) stated that now-days banking sector acts as the backbone of modern business. Development of any country mainly depends upon the banking system. The author studied the Indian banking sector and performance of Indian banks.

Md. Monirul Islam (2015) stated that banks provide modern technology based computerized system to clients with low cost and quick services.

Vijayalakshmi and Sailaja (2016) studied the contemporary challenges and opportunities of the retail banking sector in India.

3. Statement of the problem

The banking financial sector reforms are an ongoing process and few events as part of banking sector reforms include deregulation of interest rates, payment banks, increased autonomy to banks, Basel III compatibility of banks, regulation of non-banking finance companies, etc. The system plays an important role in the modern economic world. Banks collect the savings of the individuals and lend to business people and manufactures. Thus, the banks play an important role in the capital formation in a country and thus help the growth process.

4. Objectives of the study

1. To give an overview about challenges of banking service in India.
2. To analyze the growth in money supply and deposits over past few years.

5. Scope of the study

The present study is limited to Indian public and private sector banks. The emergence of financial technologies, bank start-ups is changing the competitive landscape in financial services, forcing traditional institutions to rethink the way they do business. As data breaches become prevalent and privacy concerns intensify, regulatory and compliance requirements become more restrictive as a result. If all of that wasn't enough customers' demands are evolving as customer.

6. Challenges of banking services

Faster technological changes changing consumer preferences, not able to deliver customer wow experiences consistently, cyber threats, increased competition including those emanating from emerging non-bank sources like apple pay, Google pay, etc. Criminal minded clients trying to game the system with assistance from rogue bankers, pressure to remain profitable leading to banks following improper business practices like the one we saw in the events leading to the global financial crisis of 2000.

Regulation: Banks are tightening regulatory requirements as sometimes costly, excessive, and ineffective, while bankers recognize the need for tougher controls, concerns were raised about the volume and complexity of current regulation which were stated to eat into management time and overall industry margins. Bankers were concerned about the impact of rising regulatory requirements on innovation and diversity as well as their ability to compete effectively against smaller players who are not exposed to the same regulatory scrutiny. Although many banks have become more risk aware and are adapting

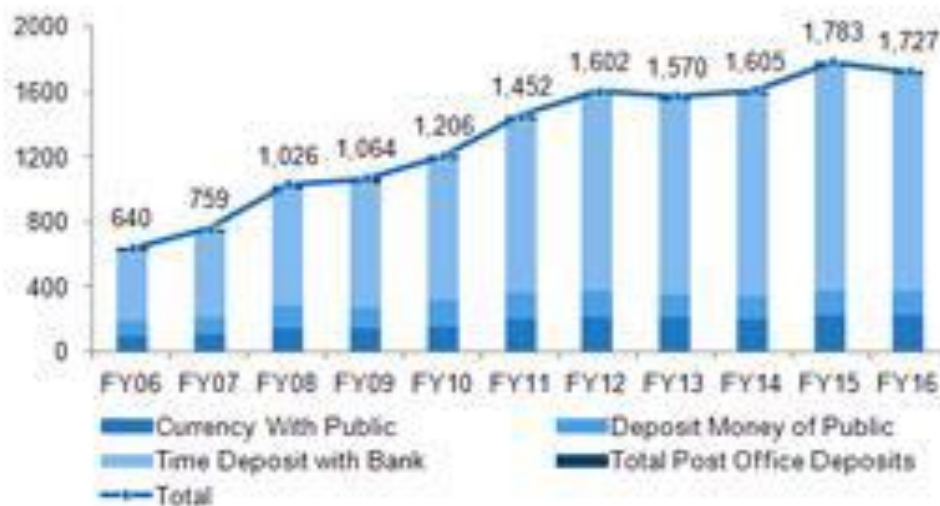
well to increasingly strongest requirements, regulations continues to be a concern for banks that must invest a sizeable amount of time, effort and money into meeting compliance standards.

Political interference: Government could intervene in banking operations for a multitude of reasons, including raising revenues in a time of budget stress, increasing inventor protection and rebuilding the national tax base.

Asset quality: The biggest risk to India's banks is the rise in bad loans. The slowdown in the economy in the last few years led to a rise in non-performing assets. When a borrower is unable to pay back and the bank makes the loan more flexible to be paid back over a longer period of time

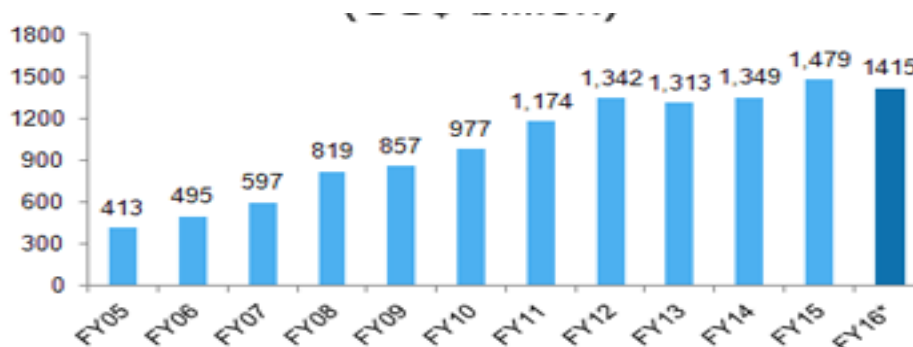
Capital adequacy: The capital adequacy ratio measures how much capital a bank has when this falls, the bank has to borrow money or use depositors money to land. This money, however, is riskier and costlier than the bank's own capital a depositor can withdraw his/her money any time they want. If banks do not shore up their capital soon some could fail to meet the minimum capital requirement set by the central bank.

7. Growth in money supply over past five years



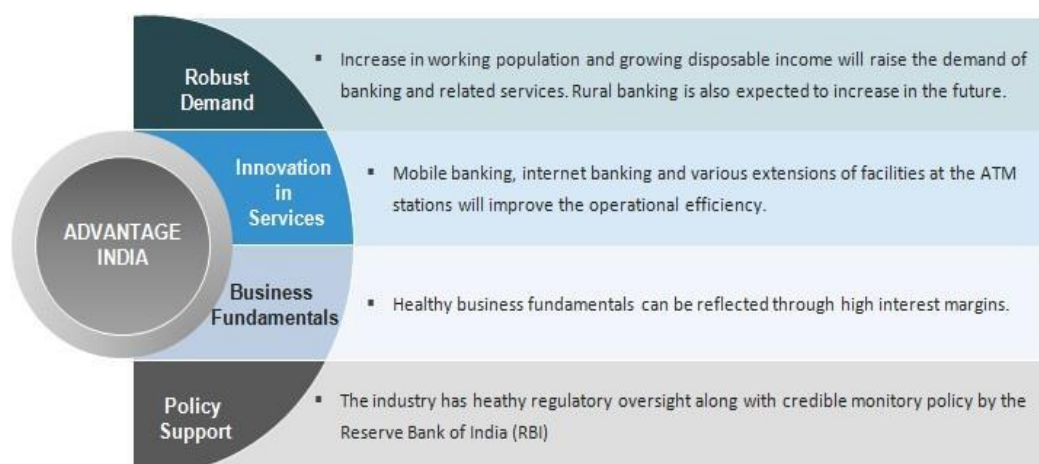
Source: RBI, TechSci Research FY16: as of May 29

8. Growth in deposits over past few years



Source: Reserve Bank of India (RBI), TechSci Research , FY16*- till May 29

9. Growth outlook for Indian banking sector



As per CARE Ratings estimate, India's GDP would see growth in the range of 7.5% to 7.8% during financial year 2019. Considering the improvement in GDP of growth declaring pace of NPA addition and capital requirement, CARE rating estimates the credit growth to be in the range of 8% to 10% during financial year 2020.

10. Suggestions

Charting and clear path forward can seem like an overwhelming task and insights are discovered through customer interactions and continuous organizational analysis, when necessary to address market demands while improving upon the customer experience, sustainable success in banking services requires insight, agility, rich client relationships and continuous innovation.

11. Conclusion

Banks are at the core of any economic systems need for qualitative banking surpasses the conservative economic or financial logic as the financial inclusion is still a distant dream. The government and banking industry undertake a comprehensive relook into the existing policies and structures. In addition to the provision of traditional services, many social functions are attached to the banking system financial inclusion and inclusive growth.

12. Reference

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