

INDIAN BANKING SECTOR: SUPPORTING THE ECONOMY

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Abstract:-

Indian banking sector has been delivering the various services to the common man in the society by providing the liquidity in the locality of every citizen. The concept of Automated Teller Machine (ATM) has made the banking operations very easy. ATM provides the financial as well other services twenty four hours. Along with banking sector is providing employment to large population of the country. People in lakh numbers are employed in this sector on the duties of officers, clerks and subordinates. Indian banking sector is growing in the right track and is strengthening the economy towards sustainability.

Key words: - *Industrial Economy, Banking Sector, Reserve Bank of India (RBI), Automated Teller Machine (ATM)*

METHODOLOGY

The objective of this article is to analyse the role of Indian banking sector in the development of Indian economy. For the purpose of this analysis the article has been divided into three main parts specifying the methodology, banking trends and conclusions. Secondary data has been considered from the various on-line and published sources for the paper. This is a descriptive study which includes the Indian banking sector in general.

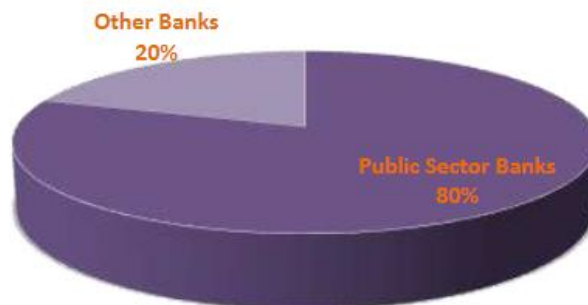
INTRODUCTION

We cannot imagine the economic scenario without banking. Banking sector is the backbone of any economy. Banking operations are performed by the bank. Bank is the financial institution which accepts the deposits and grants the loans. Banking is essential to fulfill the financial needs of the individual and organizations. According to Indian Banking Companies Act “Banking Company is one which transacts the business of banking which means the accepting for the purpose of lending or investment of deposits money from the public repayable on demand or otherwise and withdrawable by cheque, draft, order or otherwise”. Traditional banks were engaged only in accepting the deposits and giving loans. Modern banks offer various services to the customers along with these traditional functions. Competitive environment has persuaded the banking institutions to provide better services to their customers.

Banking Trends

Reserve Bank of India (RBI) has reported that the Indian banking sector is well-regulated and adequately capitalized. Indian financial and economic scenario is very healthy as compared to any other country in the world. There are twenty six banks of the public sector in the country. Nowadays our banking system has become developed and integrated system. Private sector includes twenty five banks. Forty three foreign banks are performing in the country. Other banks are also functioning as fifty six regional rural banks. Cooperative banking has emerged in the country tremendously. Cooperative banks include 1589 urban cooperative banks and 93550 rural cooperative banks. But eighty percent of the market is occupied by the public sector banks.

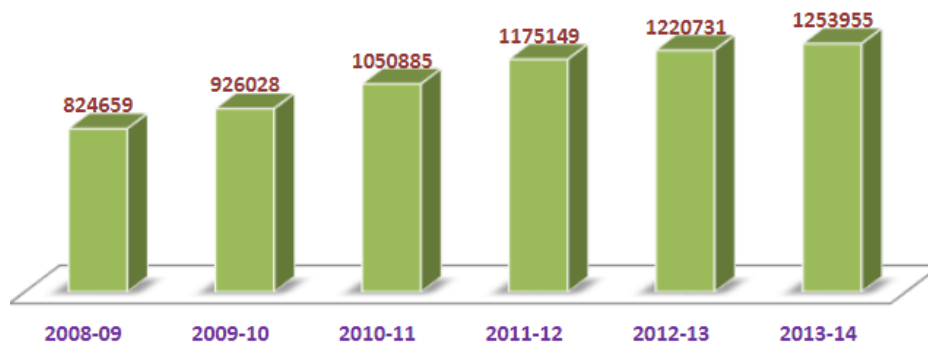
Figure1: Market Share of Banks in India



Source: IBEF Statistics

Public sector banks are contributing a lot in the development of economy. Indian banking sector is strengthening the financial position of the society by extending the credit facilities in the effective way. Industry needs credit facility for the growth of business so that timely of products and services can be made to the public. Public needs money for satisfying its need by purchasing the products and hiring the services. Banking industry plays this role indirectly by helping all these parties by enabling them to perform these operations. Banking sector supports the economic growth by helping the manufacturing and consumption process. Along with this industry is providing employment to large population of the country. People in lakh numbers are employed in this sector on the duties of officers, clerks and subordinates.

Figure 2: Employment in Scheduled Commercial Banks

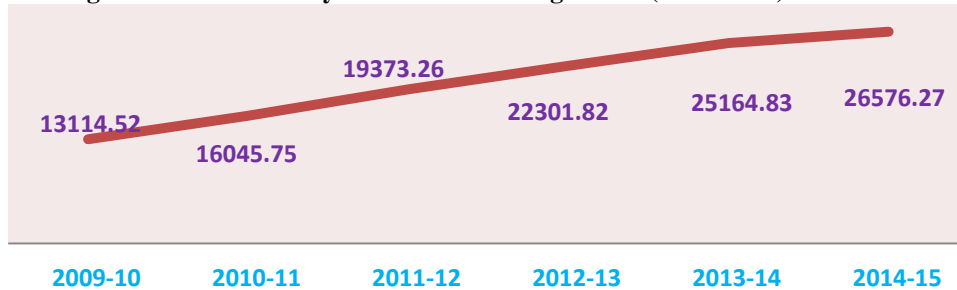


Source: RBI Statistics

The data depict that in 2013-14 a large chunk of population was engaged in the Indian banking sector. The scheduled banking sector includes State Bank of India and its associated banks, nationalized banks, Regional Rural banks, foreign banks and private sector banks.

Banks play vital role in the industrial development of any economy. In India, banking sector supports the industrial economy effectively. Industrial units need various types of services from the banks for the successful operation. Industry requires financial services for the various functions like purchasing, production, marketing and compensation of the employees.

Figure 3: Outstanding Industrial Credit by the Indian Banking Sector (Rs. Billion)



Source: RBI Statistics

Industrial credit to the industrial sector by the banking sector is increasing year by year in the significant balance. Indian banking sector has brought the banking services to the common man in the society by facilitating the liquidity in the locality of every citizen. The revolution of Automated Teller Machine (ATM) has made the banking very easy. ATM provides the banking services twenty four hours. We can avail the cash, pay the bills and examination fees, examine the transactions and purchase the goods at any time without going to the bank. We cannot imagine the life without ATM in this modern era. These machines have brought the banking revolution in the rural areas. Punjab National Bank has started mobile ATM service for providing the banking services in the far reaching and difficult areas. In this way ATM services are strengthening the economy in every part of the nation.

Figure 4: Year-Wise ATMs Growth in India



Source: IBEF Statistics

Banking sector is the biggest service provider in India. This sector is supporting all the various sectors of the country by providing financial and other services.

Conclusions

Indian banking sector is playing very important role in the development of the economy by providing financial support which is increasing year by year in the significant way. Indian banking sector is growing in the right track and is supporting the economy in obtaining the sustainability.

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