

## A study of Indian banking sector

**Pooja Antil, Prerna Antil, Kamal Aggarwal**

Department of Commerce, SRM University, Sonipat, Haryana, India

### Abstract

Finance and banking is the life blood of trade, Commerce and industry. Now-a-days, banking sector acts as the backbone of modern business. Banking industry is a piece of the economy in the world. The Indian financial sector underwent a sweeping change during the nineties. The banking sector in India has come upon a speedy transformation. As banks rely increasing on information technology and the internet to carry on their work and interact with the market, technology risk will increase, both for the financial industry at large and individual banks. Bank plays an important role in the economic development of developing countries. The banking system in India is dominated by nationalized banks. The banking is one of the most important parts of the human life. This research paper totally focused on growth of Indian banking sector and it's totally focused on performance of Indian banks.

**Keywords:** banking sector, Indian economy, financial sector

### Introduction

Banks receive deposits from public and also borrow money from other sources for increasing working capital funds. They have to pay cost by way of interest on the funds raised. The symptoms of the banking activities are found from Vedic era to till date. Indian banking sector has undergone rapidly major changes during the period. These changes not only functioning of the banks but it also impacted highly on the efficiency, effectiveness and the productivity of all the Indian banks. Banking sector is treated as to be the back bone of the economy. A bank is a financial institution that provides banking and other financial services to their customers. A banking system also referred as a system provided by the bank which offer cash management services for customers, reporting the transactions of their accounts and portfolios, throughout the day.

### Banking Structure in India

Banking which are integrated in the 2nd phase of the RBI are called schedule banks. These banks comprise into two banks, which are known as Scheduled Co-operative banks and Scheduled Commercial banks. There are 13 types of banks available in India.

These are following banks:

- Central banks
- Investment banks
- Merchant banks
- Savings banks
- Offshore banks
- Commercial banks
- Retail banks
- Universal banks
- Public sector banks
- Private sector banks
- Foreign banks
- Co-operative banks
- Development bank

### History of Banking Industry

a) History of Banking has been divided into Stages like:

- Pre-independence stage
- Post Independence stage
- Nationalization of Banks
- Introduction of Financial Sector Reforms
- IT revolution in Banks

b) There were three oldest Banks:

- Bank of Bengal
- Bank of Bombay
- Bank of Madras

These banks were called Presidency Banks. They merged in 1925 to form the Imperial Bank of India, which after independence became State Bank of India. Reserve Bank of India came into existence in 1935 which took the responsibility of regulating Banking sector as Central Bank in India. The Indian banking sector is distinctive from the rest of the world's banking system because of the distinctive geographic, social and economic characteristics of the country. India had 20 banks within the top 1000 out of which only 7 were within the top 500 banks.

**Table 1:** The table below depicts the evolution of the banks

Sr. No	Name of Bank	Starting Year
1	General Bank of India	1786
2	Bank of Bombay	1840
3	Bank of Madras	1843
4	Allahabad Bank	1865
5	Punjab National Bank	1894
6	Bank of India, Central Bank of India, Bank of Baroda, Indian Bank, Bank of Mysore	1906 to 1913
7	Reserve Bank of India	1935

### Objective of the Study

1. To study the Indian banking sector and performance of Indian banks.

2. To understand the significance of banks in India.

**Importance or Need of the Study**

Before the establishment of banks, the financial activities were handled by money lenders and individuals. The organized banking sector works with in the financial system to provide loans, accept deposits and provide other services to their customers.

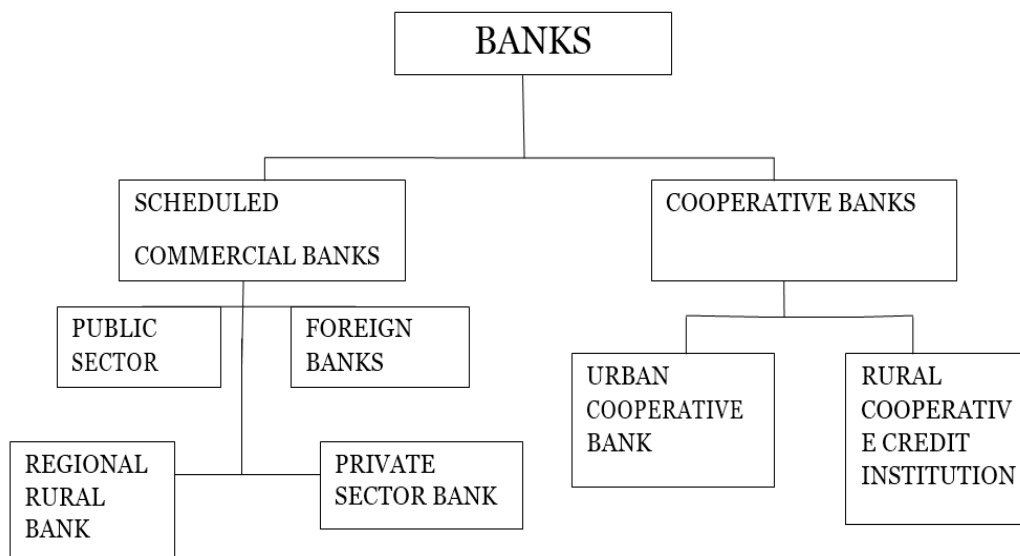
Following functions of the bank explain the need of the bank:

1. To control the supply of money and credit.
2. To provide the security to the savings of customers.
3. To decide equal norms and conditions to all types of customers.

**Research Methodology**

This paper is the outcome of a secondary data on Indian banking sector with special reference to Indian context. To complete this paper we focus various journals, books, papers and periodicals have been consulted and internet searching has also been done. The research methodology not only talks about the research methods but also consider the logic behind the method used in the context of the research study. Research methodology is a way to systematically study and solve the all the problem of research.

**Private Banks in India**



**Conclusions**

Today the banking sector in India is fairly mature in terms of supply, product range and reach. The world economy witnessed that a large number of banks have been failed. In this government of India play a vital role through implementation of the recommendations made by various committees? The role of banks is not only directly important, but also it is very needful in the precise conduct of the programs projected by government. So that it may revolutionize in the provision of loans from time to time. A growing economy like India requires a right blend of risk capital and long term resources for corporate to choose an appropriate mix of debt and equity. After researching banking sector researcher found that different problems are increasing

**Data Collection Method**

In this research paper we used two types of data.

**a) Primary Data**

Primary data is also known as first hand data which is collected by researcher. The main tools which used collected the data was investigation and observation.

**b) Secondary Data**

Secondary data which has already been collected by someone else not researcher itself. It provides reliable, suitable, adequate and specific knowledge.

**Nationalised Banks in India**

Nationalised banks dominate the banking system in India. The history of nationalised banks in India dates back to mid-20th century, when Imperial Bank of India was nationalised (under the SBI Act of 1955) and re-christened as State Bank of India (SBI) in July 1955. Then on 19th July 1960, its seven subsidiaries were also nationalised with deposits over 200 crores. These subsidiaries of SBI were State Bank of Bikaner and Jaipur (SBBJ), State Bank of Hyderabad (SBH), State Bank of Indore (SBIR), State Bank of Mysore (SBM), State Bank of Patiala (SBP), State Bank of Saurashtra (SBS), and State Bank of Travancore (SBT)

to banking sector because of the money market has always down.

**Limitations of the Study**

1. It's very difficult in data collection.
2. It's very difficult to conduct any study or research work.
3. Branch manager was not giving financial data of the bank.
4. Very few knowledge about the bank in the initial stages.

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