

Banking Sector in India – An Overview of Conceptual Framework and Product Offer by Banks

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Introduction

The banking sector is the important one for the development of Indian economy. It is one of the significant financial segments, which play a vital role in economic development. The banks mobilize deposits from the general public and lending to various divisions of the country. It provides financing to trade, industry, and agriculture for meeting their higher degree of commitment and responsibility. Thus the development of a country is closely related to the development of this sector. After liberalization, the government of India announced a number of schemes for reform measures on the narasimhan committee to make this sector economically possible.

Objectives of the Study

- To know the organizational structure of the banking sectors.
- To study the services offered by banking sectors.
- To identify the Conceptual framework of banking sectors.

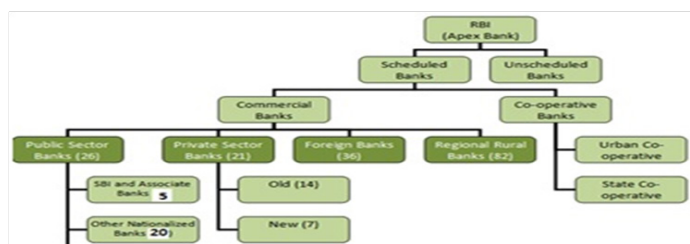
The Scope of the Study

This study is to analyze the quality of service offered by banks, and this paper will provide the details about the structure of banking sectors and their main aims.

Data Collection

This paper comprises the secondary data only. The secondary data belong to the study were collected from the books journals and websites.

Structure of Indian Banking System



Organisational Structure

Reserve Bank of India

Reserve Bank of India is a central bank of India. Reserve bank of India was passed in 1934 and the act of Bank implemented from 1st April, 1935. The central bank is the apex bank in India. RBI does various functions such as issue of currency, Fiscal agent and advice to the banks. The central bank has the power to control the banking activities in the country. It occupies the pivotal position in the monetary and banking structure of the country. It has different names in different countries. The central banks of India are also known as a banker's bank. It controls the credit operations of the banks.

Commercial Banks

A commercial bank is one of bank that accepts deposits from the public and making loan and advances to the needy people. The main objectives of this bank are to earn good profit. They provide financial aids to agriculture, rural urban industries for their development, etc. it is one of the profit making institution owned by the government of India. There are many types of banks act as commercial banks

Public Sector Banks

Currently, there are 21 Nationalised banks in India. 75 percent of total banking business in India is public sector banks, and State Bank of India is the largest commercial bank. The five associate banks of SBI and Bhartiya Mahila Bank are merged with State Bank of India after 1st April 2017. In our Country there are 21 nationalized banks are also available.

Private Sector Banks

Narasimham Committee had recommended granting permission for private-sector banks in India. The "private-sector banks" are banks which hold a minimum balance of Rs 200 crore. The major share of this bank is held by the outsiders and not by the government.

List of Private Sector Banks in India

1. ICICI Bank Ltd
2. HDFC Bank Ltd
3. AXIS Bank Ltd
4. Kotax Mahindra Bank Ltd
5. Yes Bank Ltd
6. Federal Bank Ltd
7. Karnataka Bank Ltd
8. Karur Vysya Bank Ltd
9. South India Bank Ltd
10. ING VYSYA Bank Ltd
11. Bank of Rajasthan Ltd
12. City Union Bank Ltd
13. Lakshmi Vilas Bank Ltd.

Foreign Banks

Those banks are foreign banks, which are in origin and have their head office outside in India. The functions of foreign bank accept deposits from the outside India. There are 36 Foreign banks in our country. The examples of the foreign bank were CITI bank, HSBC, Standard Chartered, etc.

Regional Rural Bank (RRB)

Regional Rural Banks was established on October 2, 1975. It is one of the scheduled commercial banks. It provides loan facility to weaker sections of the society like small farmers, agricultural laborers, and small entrepreneurs. The main aim of these banks is to encourage rural entrepreneurship.

Co-operative Bank

The Co-operative bank was established by passing a co-operative act in 1904. The key objective of the co-operative bank is to provide rural credit. It plays a very important role in co-operative financing. The Cooperative Credit Societies Act, 1904 was amended in Cooperative Societies Act 1912.

Products Offered By Banking Sector

- **Credit Card:** Credit card is nothing but a small card containing a means of identification through stored computer data, a signature and a small photo. It permits the holder to charge goods or services to his account, on which he is billed. The bank receives the bill from the shopkeeper and pays on behalf of the card owner. These bills are assembled in the bank and the amount is paid to the bank by the card holder either totally or by instalments. For that the bank charges a small amount as service charges from the customer. This allows the customer no need to take cash with him when he or she travels.
- **Debit Cards:** Debit card is a plastic payment card that can be used instead of cash while making purchases. It is just like a credit card but unlike a credit card, the money comes directly from the customer account when performing the transaction. Debit card eliminates the need to carry cash or a physical check to make a purchase. The card holder can just swipe the card and enter the PIN number on a key pad. Debit cards take money out of your checking account immediately. The main functions of a debit card are like an ATM card for immediate withdrawals of cash and a check when buying an item. Debit cards are a convenient alternative to cash. They are easy to carry and can be handled. It is a safety option when travelling. There is no grace days for debit card purchase.
- **Automated Teller Machine:** An ATM card is one of the devices. It is given by the banker to their customer. The ATM card allows the customer who has an ATM card to perform the banking transaction at any time around the clock and at anywhere. This facility assists the customer to withdraw money, deposit their cash, check the account balance and take a statement even if the bank was closed. It allows the customer to transfer money from one account to another account. ATM cards consist of a personal identification number and a secret password. It enables the customer to do their banking transaction at 24 hours per day and 365 days in a year. Nowadays ATM cards are very popular in India.
- **E-Cheques:** The e-cheques comprise of five primary facts that are the customer, the merchant, customer's bank, the merchant's bank and e-mint and the clearing process. The payer issues a digital cheque to the payee and the whole transaction is done through internet.
- **Electronic Funds Transfer (EFT):** Due to the technological advancement many banking concerns have computerized their cheque handling process with computer network and electronic equipment's. With the use of this system electronic fund transfer (EFT) automatically transfers money from one account to another account. This facilitates the faster transfer of funds electronically from one branch to another branch located at anywhere and at any different banks. This system came into force on 7 February 1996, in India. Fund may be transferred within the same city is also permitted.

- **Telebanking:**Telebanking refers to banking services provided through phone. The customer can collect the information about his account through phone call and by giving the personal identification number to the bank. Telebanking is user- friendly and effective.
- **Mobile Banking:**Mobile banking refers to one can avail their banking services through mobile are called mobile banking. The modern banking is now moving to the mobile world. This system provides a new method to collect the information about the banks to carry out the banking transactions. The benefits of mobile banking are limitless and are expected to be a great success. Currently, the peoples are booking and paying for travel and even tickets is also expected to be a great success.
- **Internet Banking:**Internet banking refers to banking services provided through internet. Through this facility the customer can avail the banking services at 24 hour a day without wasting their precious time.It helps the customer to clarify their inquiry or the banking transaction is processed online without any reference to the branch at any time ina day.
- **Demat:**Demat is refers to de-materialization of shares. It is a process, where the customer's request, the physical stock is converted into electronic entries in the depository system.

Conceptual Framework Of Banking Services

Banks are also introducing a number of services to their customers. The Indian banking industry is passing through a phase of customer market. The customers have more choice in choosing their banks. With the effect of high competition and the improvement of advanced technology the services offered by banks have become more convenient.

- Customer satisfaction
- Customer perception
- Customer Expectation
- Customer Relationship Management
- Customer Loyalty

Customer Satisfaction

Customer satisfaction means to meet out one's expectation. Customer satisfaction is the most important aim of the banking sector. In this competitive world this is necessary for the banking sector and also offers quality services and products to maintain the existing customers and to attract the new customers as well.

Customer Perception

The bank's customer perception was formed as a result of interpreting the experience by the services received by them. There is a growing interest in understanding the users' experience as it is observed as a larger concept than user satisfaction. Customers have started evaluating the banks based on the convenience and comfort it provides to them. Bankers have started developing various product features and services by customer preference and need. This in turn will satisfy the existing customers and attract the new ones.

Customer Expectations

The basic expectations of the customers towards the banks are,

1. End to end transparency
2. Global Transaction Banking
3. Experience has driven distribution model
4. Solutions driven from customer's pain points
5. Embedded risk understanding and management

To meet the expectations of the customers the banks need to:

1. Know their customers' requirements well in advance and serve them better.
2. Recognize and practice what is right for customers
3. Introduce sophisticated, yet simple, processes and services to enhance end -customer experience

Customer Relationship Management

Today, banks are facing aggressive competition, and they have to make efforts to survive in a competitive and uncertain market place. Banks have realized that managing customer relationships is a very essential factor in their success. Customer Relationship Management (CRM) is a strategy which can help them to build long-lasting relationships with their customers and increase their profits through the right management system and the application of customer-focused policies. Many businesses such as banks, insurance companies, and other service providers realize the importance of CRM and its potential to help them acquire new customers retain the existing ones and maximize their lifetime value.

Customer Loyalty

Building customer loyalty occurs by building the relationship between customers and banks. Customer loyalty is one of the most imperative factors used to evaluate the quality of services offered by a banking industry. Therefore, gaining customer loyalty becomes a key objective for banking organizations which decide to adopt for customer relationship and customer retention.

Conclusion

The purpose of this study is to know the products offered by banks and their conceptual framework. The banks whether its private sector banks are public sector banks are the very dominant role in the development of Indian economy. Nowadays the banks introduce the number of amenities to their customers it reduces the burden of the customer, time savings, make it simple in their life. In this competitive world, it's necessary for the banking sectors to provide a lot of quality services to their customer to retaining them. The banking sector is not only significant for the development of Indian economy but also essential for people too.