INDIAN STREAMS RESEARCH JOURNAL
ISSN NO : 2230-7850
IMPACT FACTOR : 5.1651 (UIF)
VOLUME - 12 | ISSUE - 9 | OCTOBER - 2022

NAVIGATING THE STORM: UNDERSTANDING THE BANKING CRISIS IN INDIA

Dr. Shivakumar V. Parande
Principal, S.G.V. Arts and Commerce College, Bailhongal, Dist:Belagavi.

ABSTRACT

In recent years, India has faced a tumultuous period in its banking sector, marked by a series of crises that have sent shockwaves through the financial landscape. This paper delves deep into the intricate web of challenges, factors, and consequences surrounding the banking crisis in India. From the roots of the crisis to its far-reaching implications, this analysis aims to shed light on the complexities of the situation and offer potential pathways towards stability and resilience.

The 1990s saw a rapid transformation of the Indian banking sector brought about by advances in technology, financial deregulation that allowed for the entry of new private and foreign banks, and changes in corporate sector regulations. The Indian banking sector is gradually embracing internationally recognized prudential norms, best practices in accounting, increased disclosures and transparency, corporate governance, and risk management. Interest rates have also been deregulated, and the strictures surrounding directed lending are gradually easing. The Reserve Bank of India is the head of the nation's reasonably well-developed banking system, which includes a variety of bank classes such as public sector banks, foreign banks, private sector banks (both established and emerging), regional rural banks, and co-ops.

KEYWORDS : *Banking reforms, banking history, and banking sector phase.*

INTRODUCTION

The monetary area in our country is more grounded now and ready to oppose the requests of the market. It persevered through the 2008 Worldwide Monetary Emergency. The financial business in India has been rapidly developing in the globalization age since the 1990s because of specialized progressions, monetary advancement achieved by the appearance of new private and unfamiliar banks, and administrative changes in the corporate area. The Indian financial area is continuously embracing globally perceived prudential standards, best practices in bookkeeping, expanded revelations and straightforwardness, corporate administration, and chance administration. Loan costs have additionally been liberated, and the injuries encompassing coordinated loaning are step by step facilitating. As of now, our country has a sensibly refined financial framework with a few public area bank classes,banks, unfamiliar banks, old and new age private area banks, rustic local banks, and helpful banks, with the Hold Bank of India filling in as the framework's focal power. The financial business has encountered unmatched extension and broadening, with our foundations utilizing state of the art advances, for example, cell phones and the web to work with exchanges and draw in with the overall population. This paper plans to survey the monetary framework in our country under the ongoing conditions.

PURPOSE OF THE STUDY:

To study
1) Indian Banking History
2) India's Banking System Organisation
3) India's Banking Reforms
4) Current Banking System Trends
5) Consequences & Difficulties
6) the Future prospects

METHODOLOGY:

The information and secondary data used in the study were obtained from reliable websites, official committee reports from the RBI and other committees, and respected journals.

A BRIEF HISTORY OF BANKING IN INDIA:

There are three major phases:
Phase I (1786–1969): The beginning of Indian banking
Phase II: Nationalization, Regularization, and Growth (1969–1991)
Phase III (1991–present): Liberalization and its Consequences

1. Phase I (1786–1969):

The General Bank of India and Bank of Hindustan, which were the country's unique banks and are presently both dead, were laid out in 1786. The State Bank of India is the most seasoned bank in the country; it was established as "The Bank of Bengal" in Calcutta in June 1806, and it was one of the three official banks (the other two being the Bank of Bombay and the Bank of Madras).

The English East India Organization conceded the three banks licenses, and in 1921 they joined to lay out The Administration banks worked as semi national banks for quite a while, as did the Royal Bank of India. The Allahabad Bank was established in 1865 and was the main bank altogether possessed by Indians. In any case, toward the finish of the eighteenth 100 years, there were not very many banks in India in the contemporary sense; for the following a very long while, banking in India was the sole domain of Europeans. The Comptoire d'Escompte de Paris opened branches in Calcutta in 1860 and one more in Bombay in 1862; branches in Madras and Pondicherry, then, at that point, a French settlement, followed. Calcutta was the most dynamic exchanging port India, primarily because of the exchange of the English Domain, thus turned into a financial focus. A long time until the start of the twentieth hundred years, unfamiliar banks excessively began to show up, especially in Calcutta during the 1860s. The obligation of regulating the Indian financial industry began in 1935 following India's autonomy. The RBI Act 1948 gave the Hold Bank more noteworthy powers and nationalized it on January first, 1949. Before 1969, the main public area bank in India was the State Bank of India (SBI). The SBI Demonstration of 1955 prompted its nationalization in the underlying period of bank nationalization.

2. Phase II (1969–1991): Growth, Regularization, and Nationalization:

Subsequent to acquiring freedom, the Magnificent Bank of India changed its name to the State Bank of India in 1955. A period of bank nationalization happened in 1969, during which fourteen banks were nationalizedby Mrs. Indira Gandhi, the Indian Head of the state at that point, in the year 1980. Six extra banks stores adding up to in excess of 200 crores were nationalized. The principal objective of nationalization was to extend the financial organization in country regions and give Indian ranchers reasonable funding. The nationalized banks developed at a pace of around 4% until the 1990s, which was nearer to averagerate of the Indian economy's development.

3.Phase III (1991–present) Liberalization and Its Aftermath:

The Indian financial industry is currently evolved, with banks having strong and clear accounting reports. The essential impetuses for extension remember ascend for the interest for retail credit, the spread of ATMs and charge cards, and a decrease in NPAs subsequently ofdiversification, higher loan fees, better macroeconomic circumstances, securitization, and administrative strategy changes (like changes to the Financial Guideline Act). A few patterns, for example, expanded competition, item development and marking, an accentuation on strengthening risk the executives frameworks, accentuation on innovation have arisen in the new past. Bigger banks would have a somewhat benefits, thus as of late the Association Bureau on 15-02-2017 endorsed the consolidation of State Bank of India with five of its partner banks including State Bank of Bikaner and Jaipur, State Bank of Hyderabad, State Bank of Mysore, State Bank of Patiala, and State Bank of Travancore. The consolidation is probably going to bring about repeating reserve funds, assessed at more than Rs 1,000 crore in the primary year, through a mix of improved functional productivity and decreased cost of assets. Planned Agreeable Banks. Planned Business Banks in India are arranged into five different classes in view of proprietorship or kind of business. These bank bunches are:

(i) Indian State Bank and Affiliates,
(ii) Nationalized banks,
(iii) Local Banks in Rural Areas
(iv) International Banks and
(v) The private sector's other Indian Scheduled Commercial Banks

INDIA'S BANKING REFORMS:

A committee headed by M. Narasimham was appointed by the Government in August 1991 with the goal of liberalizing banking practices. The committee's report, which was submitted in November 1991, included the following recommendations: introducing "operational flexibility" and "functional autonomy" to improve the productivity, efficiency, and profitability of banks.

- The banking organization will be organized into a four-tier hierarchy, with three to four sizable banks, with SBI the leader.
- Private sector banks ought to receive the same treatment as public sector banks, and
- Any such banks should be considered for nationalization by the government.
- The restriction on opening new banks in the private sector ought to be removed, and the guidelines for licensing in The expansion of the branches needs to end.
- The government must have greater latitude in allowing the opening of new foreign bank branches and Indian banks' overseas operations ought to be streamlined.
- It is recommended that the Cash Reserve Ratio and Statutory Liquidity Ratio be gradually increased.
- A new review of the directed credit program and identification of the priority sector should be

Redefined to include the little industrial sector, small and marginal farmers, small business owners and the weaker groups.

- The banking sector must to adhere to Basel III / BIS (Bank for International Settlement) standards for financial sufficiency in three years.
- Interest rates ought to be liberalized to reflect the state of the market.
- The prudential standards for commercial banks ought to be strengthened by the government.
- The lending competition between Development of Financial Institutions, or DFIs, and More banks should be opened, and syndicated lending should replace consortium financing.

must be produced. Regarding dubious debts, provisions ought to be established to the fullest degree possible.

- As with any other PSU, the government's stake in public sector banks should be divested to a certain extent.
- All public sector banks ought to establish a minimum of one rural banking subsidiary and provide them with equivalent treatment as RRBs.

CURRENT BANKING SYSTEM TRENDS:

- **Electronic Payment Services - e-Cheques**: We have as of late known about e-administration, email, online business, e-tail, and so forth. Likewise, another innovation is being created in the US for the presentation of e-checks, which will ultimately supplant customary paper checks. In India, the Debatable Instruments Act has proactively been changed to incorporate e-check instruments and a shortened check, which is an electronic structure that can be utilized instead of paper checks.The Constant Gross Settlement (RTGS) framework was presented in India in Walk 2004. It permits banks to move assets starting with one record then onto the next utilizing the web. The name "Continuous" alludes to the way that subsidizes moves between banks happen consistently, implying that assets can arrive at the recipient quickly and that the recipient's bank is liable for crediting the recipient's record in two hours or less
- **Electronic Funds Transfer (EFT)**: This is a framework that permits anybody to pay someone else, organization, and so on. face to face or by giving guidelines/approval to move cash straightforwardly from his own record to the beneficiary's ledger. The RBI is the specialist co-op of EFT. Complete data, for example, the beneficiary's name, ledger number, sort of record (current or reserve funds), bank name, city, branch name, and so on. ought to be given to the bank at the hour of mentioning such exchanges with the goal that the cash arrives at the recipients' record precisely and all the more rapidly.
- **Electronic Clearing Service (ECS)**: This retail installment framework is intended for organizations and government organizations to make and get huge volumes of installments as opposed to individual asset moves. It is especially helpful for making mass installments and receipts of a comparable kind, particularly when every individual installment is monotonous and of a somewhat more modest sum.
- **Automated Teller Machine (ATM):** The most generally involved gadget in India, ATMs permit clients to take out cash 24 hours every day, 7 days per week. Clients with ATM cards can utilize them to lead standard financial tasks without managing a human teller. Beside cash withdrawal, ATMs can likewise be utilized to cover service bills, move assets between accounts, store registers and money with accounts, actually take a look at the equilibrium, and that's only the tip of the iceberg.
- **Tele-Banking**: This gadget permits clients to lead all non-cash related banking via telephone. For fundamental requests and exchanges, a programmed voice recorder is used, while monitored telephone terminals are utilized for additional complicated requests and exchanges.
- **Electronic Data Interchange (EDI):** This alludes to the electronic exchange of business archives between exchanging accomplices, for example, buy orders, solicitations, transporting sees, getting advices, and so on., in a typical, PC handled, universally perceived design. It can likewise be utilized to send installments and monetary information in an electronic configuration.
- **Net banking**: This is the process by which people and businesses move money online. purchasing cinema tickets, buying shares, purchasing train tickets, shopping, etc.
- **Mobile Banking:** This is a service offered by banks and other financial institutions that enables their clients to carry out a variety of financial operations from a distance using a mobile device, such as a tablet or phone, and software—often referred to as an app—provided by the financial institution specifically for that purpose.

DIFFICULTIES:

The main obstacles that bank now confront are:

Non-Performing Resources (NPAs): In the ongoing globalized period, banks should oversee serious tensions and brace their monetary records. The heaviness of NPAs is causing them extraordinary pain; on the off chance that they are not recovered, they will annihilate the actual underpinnings of the banks. The high exchange costs related with holding NPAs on the books are another significant issue confronting the financial business. Settling the NPA issue will require expanded corporate responsibility, expanded divulgence in default circumstances, a compelling framework for trading credit data, and a reasonable lawful system connected with the financial area so that court procedures can be facilitated and genuine recuperations can be made inside a sensible measure of time.

Redemption.

Data innovation (IT) in Banking: Indian financial industry, today is amidst an IT unrest. A mix of administrative and serious reasons has prompted expanding significance of complete financial robotization in the Indian Financial Industry. Data Innovation has fundamentally been involved under two unique roads in Banking. One is Correspondence and Availability and other is Business Cycle Reengineering. Data innovation empowers refined item advancement, better market framework, execution of solid methods for control of dangers and assists the monetary middle people with arriving at geologically far off and broadened markets. The Indian banks today are dependent upon colossal tensions to perform or die as in any case their very endurance would be in question. Data innovation (IT) assumes a significant part in the financial area as it wouldn't just guarantee smooth entry of interrelated exchanges over the electric medium however will likewise work with complex.

CHALLENGES:

Overall Banking (WWB): As an outrageous instance of e-banking, Overall Banking (WWB) on the model of the Internet (WWW) can be pictured. This implies that all banks would be interconnected and that, taking everything into account, individual bank characters don't exist. There would be no requirement for countless actual bank offices or augmentation counters. There would be no requirement for in-person associations or exchanges. Clients would have the option to direct all of their financial exercises while situated in their homes or workplaces and utilizing the web.

FUTURE PROSPECTS:

Banking scene is changing extremely quick. The Save Bank in its offered to move towards the best worldwide financial practices will additionally hone the prudential standards and fortify its manager system. There will be more straightforwardness and exposures. In the days to come, banks are supposed to assume an extremely valuable part in the financial turn of events and the developing business sector will give more than adequate business potential chances to tackle. Albeit, the reception of innovation in banks go on at a quick speed, the focus is discernibly more in the metros and metropolitan regions. The advantage of Data Innovation is yet to permeate adequately to the average person living in his provincial villa. An ever increasing number of projects and programming in provincial dialects could be acquainted with draw in an ever increasing number of individuals from the rustic portions too. Guidelines based informing frameworks ought to be progressively sent to address cross stage exchanges. The excess labor created by the utilization of IT ought to be utilized for showcasing new plans and banks ought to frame a 'minds trust' containing space specialists and innovation trained professionals.

CONCLUSION:

As India grapples with the aftermath of its banking crisis, it is imperative to learn from past mistakes and forge a path toward a more robust, transparent, and accountable banking sector. The crisis serves as a stark reminder of the importance of sound governance, effective regulation, and risk management.

The future of Indian banking therefore depends not only on internal dynamics unleashed by ongoing returns but also on global trends in the financial sectors. The Indian banking system will continue to grow in size and complexity while serving as a significant catalyst for economic growth and integrating various segments of the financial sector.

REFERENCES:

- Goyal, A. K., Joshi, Vijay- "Indian Banking Industry: Challenges and opportunities", IJBRM, Volume 3:Issue1:2012 pp23-38
- Jalan, B (2001): 'Banking and finance in the New millennium', Lecture delivered at the bank economists conference', New Delhi, January.
- Jalan, B (2002):'Strengthening Indian Banking and Finance: Progress and Prospects, Bank Economists conference, Bangalore 27th Dec. 2002.S
- Obtaining New Banking Licenses in India: Challenges and Opportunities, cognizant 20-20 insights, November 2013.aihe
- The Hindu, dated: 15-02-2017.
- The Indian Banking Sector: Recent Developments, Growth and Prospects (2013).
- The Govt. of India (1998) Report of the Committee on Financial System, Ministry of Finance, (Narasimham Committee-II), April.
- The Report on Trend and Progress of Banking in India for the year ended June 30, 2011 submitted to the Central Government in terms of Section 36(2) of the Banking Regulation Act, 1949
- http://www.mbaknol.com/business-finance/recent-trends-in-indian-banking-sector/
- http://www.articlesbase.com/information-technology-articles/it-emergence-recent-trends-in-banking-industry-of-india-1981838.html