



PROSPECTS OF 'MAKE IN INDIA' IN BANKING INDUSTRY: AN EXPLORATORY STUDY

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Abstract

Over the past few decades, India's fast growing economy has gone to a remarkable development in its financial sector including banking sector. After nationalization of banks and recommendations of various committee appointed by RBI for banking regulation has brought a change for banks to operate in today's competitive era. With the capability to become the fifth largest banking industry in the world by 2020 and according to KPMG-CII report Indian banking industry is expected to become third largest by 2025, India's banking and financial sector is expanding rapidly. The Indian Banking industry is currently worth Rs. 81 trillion (US \$ 1.31 trillion). In order to make India a super power hub, Prime Minister Modi has explained the reasons behind an ambitious campaign, termed popularly as "Make in India", launched at Delhi in the month of September 2014. The ultimate aim of this campaign is the overall development of India which would be done through generating employment, increasing production, attracting FDI. In this context, banking industry can play a crucial role in fostering this campaign. As the banking sector is the life line of a country which determine the money supply of a nation. The present paper intends to explain the concept of 'Make in India and identify the future prospects of banking Industry and explore the ways how banking industry can promote the 'Make in India'.

Key Words: Banking & Finance Sector Of India (BFSI), Economic Development, FDI, Make In India.

I. INTRODUCTION

Banking system is the backbone of an economy which creates money supply in a country. Major reforms in financial sector and deregulation of banking system have resulted in tremendous change in the functioning, operation and role of banks. Now India's Banking system has become competitive and quality conscious and contributing more in economic development of country. Therefore retail banking, security related transaction, leasing, other new instrument have come into existence and this leads to diversification of banking activities. In the same way existing regulatory and supervisory framework have been revised, for this reason Basel norm have been promoted by BIS (Bank for International Settlement).

According to IBA-FICCI-BCG report India's gross domestic product (GDP) growth is anticipated to form the Indian industry the third largest within the world by 2025. As per the report, the Indian industry is about for associate degree increasing growth in coming back years with its assets size expected to the touch USD twenty eight,500 billion by the 2025. The efficiency of banking industry in economic development cannot be overemphasized. Efficient banking industry provides the vehicle for mobilizing savings and investment resources for developmental purposes.

Prime Minister Mr. Narendra Modi launched the Make in India campaign on September 25, 2014. The launch ceremony was held at the Vigyan Bhavan in New Delhi. This campaign consist 25 sectors and intends to increase attractiveness of India as an investment destination. The major concern for this campaign is that is has received investment proposals of INR 2000cr till 9 oct. 2014. So, it is mandatory to work on the campaign.

The present paper explains the role played by banking sector in economic development and how it can contribute to of Make in India. If the banking system in a country is not effective and organized it brings about a blunder in a country and instability in the various sectors of the economy. In fact, banking industry is that the basic keep of the economic development of a nation. Therefore policies and reforms of the banking industry affect economic development of our country. The "Make in India" campaign is aimed at eliminating the barriers of economic development of country and country's infrastructure and creating an environment conducive to that of setting up of business ventures in India. The ultimate aim of this campaign is the overall development of India which would be done through generating employment, increasing production, attracting FDI. In this context, banking industry can play a crucial role in fostering this campaign. As the banking sector is the life line of a country which determine the money supply of a nation. Efficient banking system directly leads to economic development and also positively affects the other sectors. Through controlling the functions of banking sector and managing the activities of banking sector, a nation can enjoy stability and growth. The force demand of BSFI (banking sector and monetary institutions) between 2008 and 2022 is anticipated to be regarding 4.2 million which would decrease the level of unemployment. Banks are the key source that easily make a check on black money, money laundering etc. as these are the major barriers in economic growth of our country.

Through providing special loans to entrepreneur, banking sector can remove the problem of unemployment, poverty. It also may foster innovations and new developments. Banking sector promotes the working of other sectors in economy through channelizing the money from surplus units to deficit units. Banks helps in capital formation which directly increases the economic growth of a country

STRUCTURE OF INDIAN BANKING INDUSTRY

The Indian banking system is measured as a flourishing and competitive sector of India. The economy rate of growth of country is over nine % since last many years and it is regarded country as the next economic power in the world. The Indian banking sector has two kinds of scheduled banks comprising:

The scheduled commercial banks are those banks which are included in the second schedule of RBI Act 1934 and which carry out the normal business of banking such as accepting deposits, giving out loans and other banking services. The major difference between Scheduled Commercial Banks and Scheduled Cooperative Banks is their holding pattern, since cooperatives are registered under the Cooperative Societies Act as cooperative credit institutions.

Scheduled Commercial Banks can be further divided into four groups:

- Public Sector Banks(27): This includes:
 - SBI & Associates (6)
 - Nationalized Banks (19)
 - Other Public Sector Banks (2)
- Private Banks (20)
 - Old private banks (13) and New-private banks (7).
- Foreign Banks (43)
- Regional Rural Banks (56)

Scheduled co-operative banks consist of: Scheduled Urban Co-operative banks (55) and Scheduled State Co-operative Banks (16).

II. REVIEW OF LITERATURE

There have been various theoretical developments regarding the role of banking sector in economic development. The brief review of the literature is explained under.

Subbaroo (2007) informed the Indian banking industry has undergone an amendment as from domestic banking to international banking. **Mishkin (2007)** examined the credit establishments intermediate between the excess and deficit sectors of the economy. Thus, a stronger functioning system fosters the external funding constraints that enhance credit enlargement, and the expansion of firms and industries. **Kasekede (2008)** supported for the argument that countries with better/efficient banking systems grow faster while inefficient banking systems bear the risk of bank failure. **Satoshi Shimisu (2010)** identified the structural expansion of bank credit through the expansion of financial savings and the improvement of the efficiency of financial banks and the allocation of financial resources. **Goyal and Joshi (2012)** made an endeavor to spot the overall sentiments, challenges and opportunities for the Indian banking industry. Authors concluded that urgent emphasis is required on the product and marketing strategies of banking to get sustainable competitive edge over the intense competition from national and global banks. **Shikha and Ajay (2013)** explained the role of banking sector in developing a country and measures adopted by banks to design the policies for efficient banking system. Authors concluded that policies of banking system affect economic development of a country. **Arumugam and selvalaxhmi (2014)** explained the banking sector is the life line of an economy and check the impact of banking sector reforms in economic developments. They concluded that banking reforms in India have positive impact on the performance of economic development. **Samridhi et al (2015)** explored that there is need of reforms in industrial policies to make India a manufacturing hub. Favorable industrial framework need to be established that should attract more and more domestic as well as foreign industrialists towards Indian Territory. Authors concluded that the development of India as a Manufacturing hub clearly depend upon the immense potential of its human resources and the financial services that are available for the domestic and foreign players. Favorable investment climate, assistance of financial services, relax and industry favorable government policies are the essential ingredients of Make in India campaign.

III. OBJECTIVES OF THE STUDY

The main objectives of this paper:

- To explain the concept of 'Make in India'.
- To identify the future prospects of banking Industry and explore the ways how banking industry can promote the 'Make in India'.



IV .RESEARCH METHODOLOGY

Data has been collected from the secondary sources such as websites of the Reserve Bank of India, various newspapers, magazines, Journals, articles, Research Papers, Publications of various Banks and various committee reports submitted to Government of India has been taken for this study.

V . VISION OF 'MAKE IN INDIA' CAMPAIGN

It is another admirable step by BJP-led NDA government with its distinct Modi-style stamp everywhere, saying to the total world regarding the new Indian government's visionary and path-breaking commitment to harness and show case India's really world economic potential. Make in India is meant to spice up the domestic producing trade and attract foreign investors to take a position into the Indian economy.

The logo for the Make in India campaign is a chic lion, galvanized by the Ashoka Chakra and designed to represent India's success altogether spheres. The campaign was dedicated by the Prime Minister to the eminent nationalist, thinker and political temperament, Pandit Deen Dayal Upadhyaya had been born on constant date in 1916.

Aim of "Make in India" Manufacturing of India presently contributes simply over 15 August 1945 to the national value. The aim of this campaign is to grow this to a twenty fifth contribution as seen with different developing nations of Asia.

Government Expectations from This Campaign: the government expects to come up with jobs, attract abundant foreign direct investment and remodel India into a producing hub most popular round the globe.

Participants of 'Make in India' Campaign

Law Minister Mr. Ravishankar Prasad and Commerce Minister Ms. Nirmala Sitharaman were part of the occasion. With the exception of them, Leading entrepreneurs and also the CEOs of concerning 3000 firms from across 30 countries were invited to attend the launch. A number of corporate head honchos with deep roots in the country also spoke at the occasion. These include - Mr. Cyrus Mistry (Chairman, Tata Sons), Mr. Kenichi Ayukawa (MD and CEO, Maruti Suzuki India), Mr. Mukesh Ambani (Chairman & Managing Director, Reliance Industries), Mr. Azim Premji (Chairman, Wipro Limited), Mr. KM Birla (Chairman, Aditya Birla Group), Ms. Chanda Kochchar (MD & CEO, ICICI Bank), Mr. Phil Shaw (CEO, Lockheed Martin), and Mr. YC Deveshwar (Chairman, ITC). All the invited stakeholders in the campaign need to ensure its effective implementation for economic development of country.

Major Concerns

The NDA government's Make In India campaign has till early October attracted INR 2000cr worth investment proposals. The government of India also launched a website to supplement the campaign which highlights each of the 25 target sectors with statistics, reasons to invest, growth drivers, all policies relevant to investors and also the individual sectors, government support, and opportunities for investors. The web site conjointly links to the campaigns Social Media feeds on Twitter, Facebook, Google and, and YouTube.

VI. FUTURE PROSPECTS OF BANKING INDUSTRY

There are many ways through which bank can contribute to the overall development of nation and ensure its stability and can make this campaign more worthy for India. Banks play major role in economic development of country. There are many other factors to promote the development of country. These are as follows:

The Banking Laws (Amendment) Bill that was glided by the Parliament in 2012 allowed the Reserve Bank of India (RBI) to make final guidelines on issuing new bank licenses. In the coming time, India could see a rise in the number of banks in the country which may enhance the India's position. It is expected that the new guidelines issued by RBI will curb practices of default borrowers and contour the loan system in the country.

Financial inclusion stated that financial inclusion is significant from the point of view of living conditions of poor folks, farmers, rural non-farm enterprises and other vulnerable groups. Financial inclusion, in terms of access to credit from formal institutions to various social groups has only been the responsibility of public banks up until now, but by using inclusive growth as one of the criteria for new licences, new banks need to open 25 per cent of their branches in rural areas.

Technology structure the Information Technology Industry spends in BFSI vertical is expected to reach USD 3.5 billion by Financial Year 2014 (According to a report by Zinnov, a Globalization and Market Expansion firm). IT adoption in banking industry would open the door to access the global market for banks as technology is seen as a driver of business value.



Technology firms have great potential to explore within the BFSI sector that contributes to 8% of India's Gross Domestic Product. This growth can be attributed to banks shifting focus to client servicing. Public as well as private sector banks are underlining the importance of technology infrastructure, so as to boost customer experience and gain a competitive edge.

Recruitment Trends The Banking and Financial Services Industry is expected to recruit about 8.4 million people as per the growth rate each year. Banking sector may create up to 20 lakh new jobs in the next 5-10 years. By issuance of new licences, RBI has made an effort to expand financial services into rural areas. In this way, the hiring trend may further get a boost from the public sector banks. The banking sector will generate 7-10 lakh jobs in the coming decade and the sector would be the among top job creators in 2014. (According to Randstad India, global HR service provider in India)

Credit norms the primary business of banks is granting credit because it is the source of net interest margin, it is exposed to some sort of risk but good management of lending practices and assessing borrower with the help of specialized rating agencies may avoid the large exposure of risk. Banks by introducing new credit scheme to small entrepreneur may enhance the innovation and export in country and reduce poverty and unemployment.

Retail banking refers to the efforts of the bankers to reach up to the customers on the both fronts of balance sheet i.e., liabilities side as well as assets side. The increasing trend of retail banking ensure banking system more stabilized and offers the new avenues for economic development of country.

Internet banking another emerging trend witnessed by the banking sector is the use of social media platform like Facebook to attract customers. In September 2013 ICICI bank launched a Facebook bill payment and fund transfer service called 'Pockets' for customer convenience. It shows utilizing the popularity of internet and mobile banking, banks are increasingly adopting an integrated approach for asset-liability match, credit and derivatives risk management.

12th Five Year Plan (2012-2017) aims to usher in faster, more inclusive and sustainable economic growth. It explains India can sustain a GDP growth of 8 percent a year. Increasing this to 9 or 10 percent will need more mobilization of investment resources, higher allocation of these resources through more efficient capital markets and higher investment in infrastructure through each public and PPP routes and a lot of economical use of public resources.

Entry/Exit norms while regulatory barriers have been eased only desirable barriers exist in the form of capital adequacy and other requirements.

On the 'Make in India' campaign, C Rangarajan, former chairman of the Prime Minister's Economic Advisory Council said it is important to first ask for whom it is being made.

Speaking here at the fifth Dr Raja J. Chelliah Memorial Lecture, organized by the National Institute of Public Finance and Policy, he noted 'Make for India would be import substitution, Make for the World would be export promotion' could contribute greatly to growth and possible to increase the India's share.

Rangarajan's mantra for Make in India: Make in India for world markets

On new monetary policy framework: primary objective of RBI is price stability

On 14th Finance Commission: Total transfers to states have increased marginal contribution towards economic growth of country.

VII. PROMOTION OF 'MAKE IN INDIA' THROUGH INDIAN BANKING SECTOR

Banking sector of India may ensure the efficiency of this campaign through expanding its activities and controlling some measures. There are various steps which can enhance the economic development of country and fulfill the dream of Make in India. Banks should make a check on following areas to contribute to the overall development of India. These are as:

- Keep inflation under control and design appropriate pricing policy.
- Increasing of domestic production (through providing special loans), especially for those goods, whose rapid increase in demand has worsened the current account deficit.
- Determine an appropriate exchange rate, to improve export competitiveness.
- Banks should bring a feeling of patriotism in its products and services so that 'Make in India' could be converted into 'Made in India'.
- Introduces some new scheme for the middle and low income group people to reduce poverty and make society free from unemployment.
- Banks should design its policy in context of development and stability of country.



- By providing special concessional loans to entrepreneurs, bank can easily boost up the innovation and GDP level and it leads to increase in export which would stabilize the balance of payments of country.
- Banking sector plays a significant role in Foreign exchange market so through a proper mechanism and policy implications only bank may increase the foreign exchange reserve.
- RBI controls the money supply of country. By determining efficient CRR, SLR, prime lending rate, it may boost up the industry's production with the help of concessional loans.
- Banks maintain liquidity in the market and generate capital formation, in this way India's economic growth may reach at peak level through enforcing proper standards of investments.
- Banks can easily bridge the gap between rich and poor with the help of increase in priority sector lending. Schemes should be introduced in context of poor people, farmers, small entrepreneur to increase their purchasing power and standard of living.
- Banks should perform its social responsibility by disbursements of loans to those organizations which have social, ethical and environmental concerns.
- With the help of microfinance and short term loans bank can increase the growth of exports, by providing loans to small cottage industry and export oriented units.
- Banks are the key source that easily make a check on black money, money laundering etc. as these are the major barriers in economic growth of our country.

VIII. CONCLUSIONS

Our bank based financial system is the mirror of our country which caters the every type of investment and saving need in entire economy. Banks are performing well in enhancing the effectiveness of 'Make in India' campaign through offering a variety of service to the society, providing concessional loans, promoting market discipline. In coming decades, banking industry will generate employment opportunities, and focused on IT driven functions, increase the loan disbursements for priority sector lending, advancement and rapid expansion of branch network indicate the bank's contribution in the development of India. But, banking industry is challenged by competitive environment therefore we need to strengthen the banking system through enforcing a proper regulatory mechanism, adopt new business models, streamline operations and improve processes so that our economy can progress rapidly. The dream of 'Make in India' could be materialized, if financial system of our economy is strong and stabilized. This can be done through various measures that should be taken by RBI such as design policies in context of economic development and perform its duty towards society and nation.

SUGGESTIONS

Banks have been doing such a wonderful service for the growth of economy. A healthy and sound banking system aids the economic development of country. The vision and mission of our respected Prime Minister Narendra Modi about making India an economic superpower may be realized with the enforcement of proper policy implications and creating a sense of doing something for our country or enhancing the feeling of patriotism. In context of banking industry, there is need to strengthen the regulatory mechanism of banks and design appropriate infrastructure so that India can emerge as a leading hub and became one of the best nation in means of infrastructure and developments.

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