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A STUDY ON COMPETITIVE INDIAN BANKING INDUSTRY WITH REFERENCE TO PRE E-BANKING AND POST E-BANKING.

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Abstract
Public Sector Banks and Private Sector Banks have had the distinction of being recognized as banking institutions, which provides satisfying services to its customers or account holders. The present article studies the performance of Public Sector banks (Vs) Private Sector Banks in terms of labour productivity and during Pre E-banking period and Post E-banking period, and profitability in recent years. Under the financial sector reforms the banking sector reforms, IT Act of 1999 gave new innovations and practices which lead to better speedy banking practices in India. Information Technology has created and helped the Indian banking Industry in terms of speedy banking services, low-cost and greater business and many more business process, work culture and human resource development. It has affected the productivity, profitability and efficiency of the banks to a large extent. This article is a modest effort to compare public and private sector banks on the basis of major parameters like Pre E-Banking and Post E-Banking. The article finally suggests that performance of all Public Sector banks and Private Sector banks under study is much better in recent years and further foreign banks are performing well to a greater extent, whereas the Performance of the public sector banks is comparatively very poor and many top Public Sector banks have lost their market share in the recent years. The article recommends few measures to upgrade the business of Public Sector banks with reference to E-banking practices and convert the emerging challenges into opportunities.

Keywords:E-Banking Challenges, Information Technology, Opportunities.

1. Introduction

In the beginning of 90's, there were so many deficiencies were prevailing in the Indian economy, particularly in the Indian banking sector. The major deficiencies prevailing at the time of early 90's were productivity and efficiency of the Indian banking system which has suffered, its profitability has been reduced, several public sector banks and financial institutions I.e. development banks have become weak financially, some public sector banks have been incurring losses year after year, their customer service was poor, their work technology was outdated and they were unable to meet the challenges of a competitive environment due to effects of LPG on Indian Banking Sector after the Indian government introduced banking reforms. Keeping in mind all the above said distortions in the economic, financial and banking sectors, the government of India and the RBI thought it was necessary to introduce reforms in the financial and banking sector also, so as to promote rapid economic growth and development with stability through the process of globalization, liberalization and privatization in the financial system so that the financial system becomes more competitive and gets integrated with the world economy through internationalizations of financial markets in the world. Financial and Banking sector reforms were initiated in India in 1991against the backdrop of challenges faced by the Indian banks from within and outside the banking system in the country as well as forces of globalization operating worldwide. The accent of the reform process was to improve productivity and efficiency of the financial system and to provide a highly competitive environment.

The present competitive scenario of banking industry, competition among the banks is very severe. The banks have been trying to find new avenues not only to retain the present customer strength but also attracting new customers by offering hassle-free services. In the process, strategies of certain banks, especially Public Sector Banks, are aiming to divide customers into different segments on the basis of the type of service they would like to render and also trying to segregate their servicing counters in their respective branches to enable customer on the other side, Foreign Banks and old and new Private Sector Banks in India, have progressed well in the areas of technology up-gradation in operations, extending the business hours, introduction of new products and services like "Any Where Banking", "Any Time Money", "Electronic Fund Transfer", "Electronic Clearing", "Tele-Banking" These new tools enabled them to improve the quality of service and introduce Value Added Products (Saraf, W.S., 1997). The Indian economy under Liberalization, Privatization and Globalization (LPG) throws mind-boggling process for existence and growth of the sector. WTO was established in1995 and signing of WTO Agreement by Indian Government meant greater competition from foreign and domestic bankers in terms of speed, sophistication and professionalism. The banks are now expected to maintain transparency in their operational and financial statements. However, in the deregulated virtual market, small banks with high Return On Equity (ROE) will have an edge over the large banks. In fact, modern commercial banks have to be much more agile in order to stay in the competitive market. Adoption of Information Technology is vital for survival and growth of the sector and will fix the future of commercial banks in the LPG economy (S. K. Bose, 2001).

2. Research Design

Statement of The Problem

Public Sector Banks and Private Sector Banks play an important role in economic development of the country. These are banking financial institutions and they are also social organizations rendering savings, investments in the form of deposits and security and providing their needful helps to the society members to borrow loans at affordable interest rates. Public Sector Banks and Private Sector Banks have had the distinction of being recognized as banking institutions, which provides satisfying services to its customers or account holders. As a result of this the account holders expects the best of services from the banking institution. This paper focuses on how far Public Sector Bank Vs Private Sector Bank is doing their business in a banking industry after liberalization and banking reforms. And what is the impact of functioning of their banking operations due to the competition in banking industry.

Objectives of The Study

1. To study the banks all key parameters this drives towards the success or failure of banking services.
2. To evaluate whether the banks are following banking regulations regulated by RBI time to time.
3. To offer suggestions to improve the banking business of Public Sector banks to compete with Private Sector banks in coming years.

Methodology

Only secondary data is applicable to the study. The secondary data is collected through annual reports, websites and the companies brochures, comprehensive reference were made from the reference books, journals and magazines and so on.

Limitations of the Study

- Since the paper work is carried out for a very short period exhaustive findings could not be made.
- Most of the data is taken from the published sources.

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3. Analysis And Interpretations Narasimham Committee Recommendations For Banking Sector Reforms.

The Government of India, under the chairmanship of Shri M. Narasimham, an Ex-Governor of RBI, appointed the Narasimham Committee-I (NC-I) in April 1991. The committee examined all the aspects relating to the structural organization, functions and procedures of financial system and submitted its report on November 16, 1991. The NC-I had proposed wide ranging reforms for improving the financial viability of the banks, increasing their autonomy from government directions, restructuring unviable banks, allowing a greater entry of the private sector in banking, liberalizing the capital market, further improving the operational flexibility and competition among the financial institutions and setting up of proper supervisory system.

First Phase of Banking Sector Reforms (1991)

A number of reform initiations have been taken to improve or minimize the distortions impinging upon the efficient and profitable functioning of banks, especially reduction in SLR and CRR, transparent guidelines or norms for entry and exit of private sector banks, public sector banks allowed to direct access to capital markets, deregulation of interest rates, branch licensing policy has been liberalized, setting up of Debt Recovery Tribunals, asset classification and provisioning, income recognition and Asset Reconstruction Fund (ARF). These and other measures that have been taken would help the highly regulated and directed banking system to transform itself into one characterized by openness, competition, prudential and supervisory discipline.

Second Phase of Banking Sector Reforms (1998)

The recommendations of the NC-I in 1991 provided the blueprint for the first generation reforms of the financial sector. The period 1992-97 witnessed the laying of foundations for reforms in the banking system. Cataclysmic changes were taking place in the world economy, coinciding with the movement towards global integration of financial services. Against such backdrop, the committee NC-II, appointed for the said purpose generated its report in 1998, provided the roadmap for the second-generation reform process. The NC-II with Shri M. Narasimham as the chairman was constituted on December 26, 1997 to review the banking sector reforms since 1991 and to suggest measures of further strengthening the banking sector of India. The NC-II examined the second-generation of reforms in terms of three broad interrelated issues:

I. Action that should be taken to strengthen the foundation of the banking system.
II. Strengthening procedures, upgrading technology and HRD.
III. Structural changes in the system.

These cover the aspects of banking policy, institutional, supervisory and legislative documents. The major recommendations of the committee were strengthening banking system, systems and methods of banking, structural issues, integration of financial markets, rural and small scale industrial credit and regulation and supervision.

Information Technology and Bank Transformation

The second banking sector reforms gave much importance to the modernization and technology up gradation. The IT Act, 1999 started the process of e-banking.

E-Banking

Delivery of bank's services to a customer at his office or home by using electronic technology can be termed as e-banking. The quality, range and price of these ve-services decide a bank's competitive position in the industry. The virtual financial services can be largely categorized as follows:

Automated Teller Machines

1. Cash withdrawals.
2. Details of most recent balance of account.
3. Mini statement.
4. Statement ordering facility.
5. Deposit facility. and
6. Payments to third parties.

Remote Banking Services

1. Balance enquiry.
2. Statement ordering.
3. Funds transfer.
4. Funds transfer between customer's different accounts. and
5. Order traveller's cheques and other financial instruments.

Services Not Available Through Remote Banking

- Cash withdrawal.
- Cash/ cherub deposit.
- Sale of the more complex types of financial services such as life insurance mortgages and (pensions).

Smart Cards

1. Stored value cards,
2. As a replacement for all types of magnetic stripes cards like ATM Cards, Debit/Credit Cards, Charge Cards etc.
   • One smart card to carry out all these functions.
   • One smart card can contain the functionality of several different types of cards issued by different banks while running different types of networks.
   • Smart card a truly powerful financial token, giving user access.
   • STM.
   • Debit facility.
   • Charge facilities.
   • Credit facilities.
   • Electronic purse facilities at national and international level.

Internet Banking: The latest wave in IT is Internet banking. It is becoming more obvious that the internet has unleashed a revolution that is affecting every sphere of life. Internet is an interconnection of computer communication networks spanning the entire globe, crossing all geographical boundaries.

Bank Transformation

1. The term transformation in Indian Banking Industry relates to intermediately stage when the industry is passing from the earlier social banking era to the newly conceived technology based customer - centric and competitive banking. The activities of banks have grown in multi-directional as well as in multidimensional manners.
2. During transformation, all known parameters of the earlier regime continuously change.
3. The current transformation process in the Indian Banking has many aspects. They pertain to:
   a. Capital Restructuring.
   b. Financial Re-engineering.
   c. Information Technology. And
   d. Human Resource Development.

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Labour Productivity

A. Public Sector Banks: Labour productivity brings in light of employee's capacity to produce.Table 1 show that the productivity in terms of business per employee of all the three public sector banks is increasing in all the years.

Table 1: Labour Productivity of Public Sector Banks (Rs. In Lakhs)

Pre-E-Banking Period

Years		**SBI**			**BOB**			**CB**	
Ratios	**D/E**	**C/E**	**BUS/E**	**D/E**	**C/E**	**BUS/E**	**D/E**	**C/E**	**BUS/E**
1998-99	0.71	0.35	1.06	0.97	0.46	1.43	0.76	0.55	1.11
1999-2000	7.80	0.42	1.26	0.97	0.52	1.49	0.87	0.43	1.30
2000-01	4.24	1.69	5.93	3.65	1.57	5.22	7.67	4.07	11.74
AVERAGE	3.80	1.61	5.42	5.94	2.22	7.83	7.08	4.33	11.41
S.D	0.73	0.17	0.90	2.00	0.59	2.26	1.08	0.37	1.27
C.V	19.21	10.56	16.61	33.67	26.58	28.86	15.25	8.55	11.13

POST-E-BANKING PERIOD

YEARS		**HDFC BANK**			**ICICI BANK**			**UTI BANK**	
Ratios	**D/E**	**C/E**	**BUS/E**	**D/E**	**C/E**	**BUS/E**	**D/E**	**C/E**	**BUS/E**
2018-19	4.72	1.82	6.54	4.15	6.09	10.24	7.14	3.11	10.25
2019-20	4.67	2.45	7.12	4.17	4.61	8.78	7.26	3.07	10.33
2020-21	5.36	3.13	8.49	5.00	4.56	9.56	6.08	2.72	8.80
AVERAGE	4.92	2.47	7.38	4.44	5.09	9.53	6.83	2.97	9.79
S.D.	0.38	0.66	1.00	0.49	0.87	0.73	0.65	0.21	0.86
C.V(%)	7.72	26.72	13.55	11.04	17.09	7.66	9.52	7.07	8.78

Source: Performance Highlights, Various Issues, 1998-2022, IBA,

It shows that productivity is increased almost double time in all the three banks during partially e-banking period i.e. 2018-19 as compared to that in pre-e banking period i.e. 2016-2022, whereas variations in terms of co-efficient of variations are maximum in pre-e-banking period. From all the three public sector banks, Bank of Baroda shows the highest productivity in both the durations i.e. Rs.1.53 lakhs during 1998-2001 and Rs.2.57 lakhs during 2018-2022 as compared to that of other two banks.

B. New Private Sector Banks: From Table 2, we conclude that all the three new private sector banks show increase in their productivity in e-banking period from pre-e-banking period except UTI Bank, which shows decrease in its productivity. Variations are maximum in pre-e-banking period in all the selected banks. Although, productivity of UTI Bank is decreased, even it shows the highest labour productivity in both the durations i.e. Rs.11.41 lakhs during 1998- 2001 and Rs.9.79 lakhs during 2018-2022 whereas ICICI Bank is following UTI Bank with labour productivity of Rs.7.83 lakhs and Rs.9.53 lakhs respectively during both the durations.

Table 2: Labour Productivity of Private Sector Banks (Rs. In Lakhs)

Pre-E-Banking Period

Years		**SBI**			**BOB**			**CB**	
Ratios	**D/E**	**C/E**	**BUS/E**	**D/E**	**C/E**	**BUS/E**	**D/E**	**C/E**	**BUS/E**
1998-99	2.96	1.42	4.38	6.38	2.37	9.20	5.84	4.17	10.01
1999-2000	4.21	1.73	5.94	7.34	2.72	9.06	7.74	4.75	12.49
2000-01	4.24	1.69	5.93	3.65	1.57	5.22	7.67	4.07	11.74
AVERAGE	3.80	1.61	5.42	5.94	2.22	7.83	7.08	4.33	11.41
S.D	0.73	017	0.90	2.00	0.59	2.26	1.08	0.37	1.27
C.V	19.21	10.56	16.61	33.67	26.58	28.86	15.25	8.55	11.13

Post-E-Banking Period

YEARS		**HDFC BANK**			**ICICI BANK**			**UTI BANK**	
Ratios	**D/ E**	**C/E**	**BUS/E**	**D/E**	**C/E**	**BUS/E**	**D/E**	**C/E**	**BUS/E**
2018-19	4.72	1.82	6.54	4.15	6.09	10.24	7.14	3.11	10.25
2019-20	4.67	2.45	7.12	4.17	4.61	8.78	7.26	3.07	10.33
2020-21	5.36	3.13	8.49	5.00	4.56	9.56	6.08	2.72	8.80
AVERAGE	4.92	2.47	7.38	4.44	5.09	9.53	6.63	2.97	9.79
S.D.	0.38	0.66	1.00	0.49	0.87	0.73	0.65	0.21	0.86
C.V (%)	7.72	26.72	13.55	11.04	17.09	7.66	9.52	7.07	8.78

Source: Performance Highlights, Various Issues, 1998-2022, IBA, Mumbai

Conclusion

The article finally concludes that transformation is taking place almost in all categories of the banks. This transformation will helpful to cope with major economic and financial policies of the banks. IT is playing a crucial role to create the drastic changes in the banking industry particularly in the new private

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sector banks i.e. E-banking solutions. The private sector banks captured the major share from public sector banks. The immense opportunities are also available for the public sector banks if they upgrade and adopt new ways in banking services with facing challenges. It can be concluded that only Information Technology alone will not be sufficient to bring necessary performance improvement and to get the competitive edge for public sector banks. Human resource is required to use such intelligent tools. With new opportunities unfolding Banking Sector, India is emerging as a global power in banking services in the next two decade. And in upcoming years it will emerge has a hub for capital formation and investment through the fruits of innovation in banking products and services.

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