IASET: Journal of Financial Management (IASET: JFM)
ISSN(P): Applied; ISSN(E): Applied
Vol. 1, Issue 1, Jul - Dec 2016, 1-6


International Academy of Science, Engineering and Technology
Connecting Researchers; Nurturing Innovations

# BANKING INDUSTRY AND ITS DEVELOPMENT – AT A GLANCE

**G. PURUSHOTHAMAN[1] & K. KRISHNAMURTHY[2]**

[1]Research Scholar, Thiruvalluvar University, Serkkadu, Vellore, Tamil Nadu, India

[2]Research Supervisor & Guide Department of Commerce, Rajeswari Vedachalam Government Arts College, Chengalpattu, Tamil Nadu, India

## ABSTRACT

In a capitalist economy, with little amount of control over economic activities, banking as an instrument of development will not have a very significant role to play. On gaining political independence in 1947, the Government of India opted for a socialistic pattern of development. The system of asset classification, income recognition and provisioning norms introduced by the RBI in 1992 is an explicit model of assessing the credit risk that a bank or financial institution carries in its balance sheet. When implemented across the industry, it brings in uniformity, transparency, objectivity, etc. in assessing the credit risk, besides receiving acceptance both in domestic and global market. This is the prime reason for the departure of the present day policies with those existing in the mid-80. The prudential norms, now introduced by the RBI, have not only brought in objectivity but also placed the actual risk position in a proper perspective so that the banks can take corrective measures from time to time to keep the credit portfolio healthy and remunerative.

**KEYWORDS:** Banking as an Instrument of Development