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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

INTRODUCTION

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.

The components of reform involved dismantling certain directed credit programmes, lowering cash and liquidity requirements, reducing barriers to entry in the banking sector, privatizing the public sector banks, improving payments system, adopting international standards for capital adequacy and prudential norms and improving the legal, regulatory and supervisory infrastructure. The impact of financial liberalization can broadly be generalized as under: (i) Improved efficiency in the allocation of credit, Despite weaker economic conditions, private in -vestment has grown and financial constraints have been erased; (ii) financial dependence has increased; (iii) the impact of liberalization on saving and / or consumption is mixed; (iv) the immediate impact on interest rates has been disparate, with rates sometimes rising and in some countries falling; (v)Financial liberalization has generally resulted in more effective monetary control.

REVIEW OF LITERATURE

Ben-David et al (2011) do not find evidence of deposit market discipline of low capital banks during the crisis. Indeed, the relationship between insured deposit rates and deposit flows are statistically and economically equivalent for high capital and low capital banks. They attribute this finding to the fact that low capital banks were deleveraging during the study.

ABCP drew down their backup lines, deposit inflows appear to have been tempered as the crisis unfolded and concerns about the financial health of banks put into question the safe haven status of banks. Together, these events somewhat negated the natural hedge thought to be inherent in the combination of deposit taking and lending (Acharya and Mora (2012)).

Recent FSB work (2012) also identifies changes in counterparty credit limits in response to changes in the perceived creditworthiness of financial institutions as a fourth possible procyclical factor affecting the stability of repo funding.

Krishnamurthy et al (2012) use data from a large sub-set of tri-party repo investors, money market mutual funds and securities lenders, which is effectively a sub-set of Copeland et al (2012) though extends back further in time. This paper finds that financing was mostly stable in the tri-party repo market although it provides evidence of a sharp reduction in the amount of non-agency ABS and MBS financed.

Regarding the UK, Acharya and Merrouche (2013) find that precautionary motive for hoarding liquidity seemed to have played a major role in money market freezes on the worst crisis days.

Objectives of the Study

- To study the promotional activities in banking sector.
- To analyze the impact of knowledge on the banking sector.

RESEARCH METHODOLOGY

A sample of 200 customers of scheduled commercial banks in rural, semi urban and metropolitan city areas in Tamilnadu are interviewed in a rational and random sampling method and they are requested to express their response through the reliable and perfect questionnaire. Out of these samples only 170 samples are found usable for statistical analysis. Hence, exact number of samples of the study was 170. The random sampling method enables to reveal the characteristic features of population perfectly.

Sources of Data

This study is based on both primary data and secondary data. The primary data is obtained in the form of response of customers of scheduled commercial banks through properly framed questionnaire. This questionnaire consists of personal and occupational details of customers, their awareness on banking industry and its development. Most of the questions are of an optional type and statement types with Likerts 5-point scale from strongly agree to strongly disagree. The secondary data is obtained from statistical handbooks and brochures published by Reserve Bank of India.

The collected data is subject to statistical treatment to obtain a torrent of results.

Analysis and Interpretation

For measuring the Bank customers in banking industry and its development sector, have some important variables were measured.

Table 1: Profile of Bank Customers

	Category	Number of Commuters	Percentage
Age	Up to 20 years	24	14.4
	21-30 years	22	13.0
	31-40 years	76	44.6
	41-50	41	23.8
	Above 50 years	07	04.2
Gender	Male	114	67.0
	Female	56	33.0
Education	No formal education	22	13.2
	Up to PUC/HSC	84	49.2
	Graduation	33	19.2
	Post Graduation	26	15.6
	Professional Degree	05	02.8
Occupation	Govt. Services	55	32.6
	Private Sector	87	51.2
	Business	27	16.0
	Professional	01	0.20
Monthly Income	Up to Rs.5000	20	11.6
	Rs.5001-15000	61	35.8
	Rs.15001-25000	40	23.6
	Above Rs.25000	49	29.0
Basis of Family	Nuclear family	125	73.6
	joint family system	45	26.4
Marital Status	Single	142	83.6
	Married	28	16.4

Source: Primary data

Out of 170 bank customers, it is observed that 44.6% of the customers are in the age group 31-40 years, 67.0% of the customers are males, 49.2% of the customers are having PUC/HSC as their educational qualification, 51.2% of the customers are private sector employed, 35.8% of the customers are earning Rs.5001-15000 as their monthly income and 73.6% of the customers are nuclear family basis and 83.6% of the customers are not married.

Classification of Respondents Based on Banking Promotion

The Commercial banks are customer oriented and employ various marketing strategies to attract many customers with the help of technological and innovative domains. In recent times they have unleashed the various services within the short span of time like twenty four hour banking services, specialty image and announcing attracting interest. The following frequency distribution clearly presents the impact of promotion of Commercial Banks in Chennai. The frequencies given below represent the impact of promotion on the Commercial Banks.

Table 2: Classification of Respondents Based on Banking Promotion

Promotion	Frequency	Valid Percent	Cumulative Percent
Service	07	4.2	4.2
Image	14	8.4	12.6
More returns	80	46.8	59.4
Others	69	40.6	100.0
Total	**170**	**100.0**	

From the above table it is found that the Commercial Banks accumulated the customers with the help of their extraordinary services. It is found that 07 respondent customers occupying (4.2%) attracted to the services of the bank, followed by 14 respondents constituting 8.4% of the respondent charmed by the image of the banks, 80 respondents possessing 46.8% of the customers expected more returns on investments. Finally 69 respondents consisting 40.6% specifies some other reasons as part of the promotion of the banking business.

Classification of Respondents on the Basis of Knowledge

Existence of banking services is not new to the general public. The Commercial Banks possesses variety of services from the date of globalization and introduction of economic policy than the other scheduled banks in India. Knowledge gained by the selected sample respondents on the features of various services of banking services was studied on the basis of personal knowledge, information from the advertisement, friends and relatives and the organizations in which the customers remuneration advances is directly to their respective account. The frequencies given below represent the impact of knowledge on the Commercial Banks.

Table 3: Classification of Respondents on the Basis of Knowledge

Knowledge	Frequency	Valid Percent	Cumulative Percent
Advertisement	118	69.4	69.4
Friends& relatives	52	30.6	100.0
Total	**170**	**100.0**	

From the above table it exposes that 118 respondents occupying 69.4% out of 170 customers of the Commercial Banks come to know about the bank service through the advertisement mode and remaining 52 respondents occupying 30.6% respondents has come to know through friends and relatives. Therefore it is clear that most of the respondent customers have the knowledge of the Commercial Banks through proper advertisements.

Table 4: KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		827
Bartlett's Test of Sphericity	Approx. Chi-Square	2323.535
	df	120
	Sig.	.000

From the above table an attempt is made to identify the KMO measures of sampling adequacy and chi-square value for Bartlett’s test of sphericity which is .827, and 2323.535 respectively at satisfying significant level of 5%. This expresses that the sample size is adequate in explaining the variable of advances. The normal distribution formed through the samples possesses valid importance mean values and standard deviation to reduce the number of variables into predominant factors. Each variable and its variances are expressed in the following communality table. It is found that the variances are enormously found.

FINDINGS

- In the span of 10 years from 2003 – 2013, there is a significant increase in the number of branch offices of commercial banks is noticed.
- The commercial banks in Tamil Nadu and all India are working hard to earn more Nonperforming assets.
- The customers in urban and metropolitan region are showing special enthusiasms in savings.

SUGGESTIONS

- RBI to identify the places without bank facilities and help the people in those places to have a branch office of a commercial bank can conduct the survey.
- Semi-urban and rural region customers must be educated periodically by the commercial banks to realize the importance of savings habit in the form of Nonperforming assets.
- The successful advances can be achieved with the cooperation of the customers.

CONCLUSIONS

The credit deposit ratio is constantly maintained by the commercial banks in Tamilnadu over the span of ten years. Due to demand of more documents, the commercial banks are not able to disburse the loans quickly. The procedural delays for loan disbursement are observed in nationalized and other commercial banks. The credit deposit ratio is constantly maintained by the commercial banks in Tamilnadu over the span of ten years. Due to demand of more documents, the commercial banks are not able to disburse the loans quickly. The procedural delays for loan disbursement are observed in nationalized and other commercial banks.

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