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Emerging trends of public sector banks in India with a reference to lead bank scheme

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Abstract
The Banking sector has been immensely benefited from the implementation of superior technology during the recent past in India. Productivity enhancement, innovative products, speedy transactions seamless transfer of funds, real time information system, and efficient risk management are some of the advantage derived through the technology. Information technology has also improved the efficiency and robustness of business processes across banking sector. Public Sector Banks are the main pillars for the successful lending to priority sectors in India, the active participation by PSBs in meeting the targets of priority lending can increase the economy of India and also these banks are the motivating factor for all the banks in order to reach the targets of priority as well as the national interest of lending. PSBs are actively meeting RBI norms including agriculture, Micro, Small and Medium Enterprises and weaker sections. The Banking sector is now witnessing a new wave of evolution with innovations in the fintech space, espically with the proliferation of prepaid wallets. Finally the banking sector will need to master a new business model by building management and customer services. Banks should contribute intensive efforts to render better services to their customer. Nationalized and commercial banks should follow the Recent trends and to get advantage of opportunities in changing banking scenario.

Keywords: banking sector, management, customer, opportunities and priority

Introduction
The Banking sector has been immensely benefited from the implementation of superior technology during the recent past in India. Productivity enhancement, innovative products, speedy transactions seamless transfer of funds, real time information system, and efficient risk management are some of the advantage derived through the technology. Information technology has also improved the efficiency and robustness of business processes across banking sector. India's banking sector has made rapid strides in reforming itself to the new competitive business environment. Indian banking industry is the midst of an IT revolution. Technological infrastructure has become an indispensable part of the reforms process in the banking system, with the gradual development of sophisticated instruments and innovations in market practices.

Banks can be broadly categorized as Commercial Banks or Co-operative Banks. Banks which meet specific criteria are included in the second schedule of the RBI Act, 1934. These are called scheduled banks. They may be commercial banks or co-operative banks. Scheduled banks are considered to be safer, and are entitled to special facilities like re-finance from RBI. Inclusion in the schedule also comes with its responsibilities of reporting to RBI and maintaining a percentage of its demand and time liabilities as Cash Reserve Ratio (CRR) with RBI.

Commercial banks
Commercial banks comprising public sector banks, foreign banks, and private sector banks represent the most important financial intermediary in the Indian financial system. The changes in banking structure and control have resulted due to wider geographical spread and deeper penetration of rural areas, higher mobilization of deposits, reallocation of bank credit to priority activities, and lower operational autonomy for a bank management. Public sector commercial banks, dominate the commercial banking scene in the country. The largest commercial Banks in India is SBI.

Cooperative Bank
These banks play a vital role in mobilizing savings and stimulating agricultural investment co-operative credit institutions account for the second largest proportion of 44.6% of total institutional credit. The co-operative sector is very much useful for rural people. The co-operative banking sector is divided into the following categories.

- State co-operative Banks
- Central co-operative banks
- Primary Agriculture Credit Societies

Development Banks
A development bank: may be defined as a financial institution concerned with providing all types of financial assistance to business units in the form of loans, underwriting, investment and guarantee operations and promotional activities-economic development in general and industrial development in particular A development bank is basically a term lending institution. It is a multipurpose financial institution with a broad development outlook. The industrial finance corporation of India, the first development bank: was established in 1948. Subsequently many other institutions were set-up. Ex. IDBI, IFCI, SIDBI etc.

Review of Literature
Being a recent move, there have been various researches on different aspects of the initiative ranging from the economical to social and ethical dimensions. Some of these researches retrieved through internet searches have been reviewed here.

Uppal, R. K. (2009) [1] studied the issues, trends and strategies of Indian priority sector advances and concluded that the public sector banks were not able to achieve the sub targets of priority advances because of high NPAs, low profits and transaction cost etc.

Biresh, K.S. and Mandal, A. (2011) [5] examined the performance of banks in India in post transition period and concluded that the positive trend of the reform process is visible through the increase in technical efficiency over the years of the post transition period.

Rani, Shilpa & Garg, Diksha (2015) [2] Identified in their study that the public and private sector banks not able to meet the RBI mentioned targets, the banks are neglecting the agriculture advances, small scale industries.

Kurbanhusain A. Kadiwala (2017) [3] Examined the priority sector lending by Indian commercial bank, he found that there is significant difference in priority sector lending between selected banks of BOB and BOI are performing good as compare to other selected banks.

Babu, O. Hari *et al*. (2018) [4] Identified Indian commercial banks are not successful in achieving the norms of RBI only advances to small scale industries are satisfying norms. Lending to weaker sections is below the norms due to over dues and non-performing assets.

Objectives of the Study

- To examine the recent trends of banking sector in India.
- To study priority sector lending in India under lead bank scheme.

Methodology

The method used in this paper is descriptive-evaluative method. The study is mainly review based. It is purely supported by secondary source of data, i.e. books, journals, papers and articles and internet.

Developments in Indian Banking Sector

Credit Card: Credit Card is "post-paid" or "pay later" card that draws from a credit line-money made available by the card issuer (bank) and gives one a grace period to pay. If the amount is not paid full by the end of the period, one is charged interest

Debit Cards: Debit Card is a "prepaid" or "pay now" card with some stored value. Debit Cards quickly debit or subtract money from one's savings account, or if one were taking out cash. Every time a person uses the card, the merchant who in turn can get the money transferred to his account from the bank of the buyers, by debiting an exact amount of purchase from the card. To get a debit card along with a Personal Identification Number (PIN).

Automatic Teller Machine: The ATM's are used by banks for making the customers dealing easier. ATM card is a device that allows customer who has an ATM card to perform routine banking transaction at any time without interacting with human teller. It provides exchange services. This service helps the customer to withdraw money even when the banks are closed. This can be done by inserting the card in the ATM and entering the Personal Identification Number and secret Password. It allows the customers

- To transfer money to and from accounts.
- To view account information.
- To order cash.
- To receive cash.

Electronic Funds Transfer (EFT): The system called electronic fund transfer (EFT) automatically transfers money from one account to another. This system facilitates speedier transfer of funds electronically from any branch to any other branch. In this system the sender and the receiver of funds may be located in different cities and may even bank with different banks. Funds transfer within the same city is also permitted. The scheme has been in operation since February 7, 1996, in India.

Telebanking: Telebanking refers to banking on phone services. A customer can access information about his/her account through a telephone call and by giving the coded Personal Identification Number (PIN) to the bank. Telebanking is extensively user friendly and effective in nature.

Mobile Banking: A new revolution in the realm of e-banking is the emergence of mobile banking. On-line banking is now moving to the mobile world, giving everybody with a mobile phone access to real-time banking services, regardless of their location. It provides a new way to pick up information and interact with the banks to carry out the relevant banking business. The potential of mobile banking is limitless and is expected to be a big success. Booking and paying for travel and even tickets is also expected to be a growth area. This is a very flexible way of transacting banking business.

Internet Banking: Internet banking involves use of internet for delivery of banking products and services. Banking is no longer confined to the branches where one has to approach the branch in person, to withdraw cash or deposits a cheque or request a statement of accounts. In internet banking, any inquiry or transaction is processed online without any reference to the branch (anywhere banking) at any time.

Benefits of Internet Banking

Reduce the transaction costs of offering several banking services and diminishes the need for longer numbers of expensive brick and mortar branches and staff.

Increase convenience for customers, since they can conduct

- Many banking transaction 24 hours a day.
- Increase customer loyalty.
- Improve customer access.
- Attract new customers.

Easy online application for all accounts, including personal loans and mortgages.

National Electronic Funds Transfer (NEFT): National Electronic Funds Transfer (NEFT) is a nation-wide system that facilitates individuals, firms and corporate to electronically transfer funds from any bank branch to any individual, firm or corporate having an account with any other bank branch in the country.

Society for Worldwide Interbank Financial Telecommunications (SWIFT): SWIFT is solely a carrier of messages. It does not hold funds nor does it manage accounts on behalf of customers, nor does it store financial information on an on-going basis. As a data carrier, SWIFT transports messages between two financial institutions. This activity involves the secure exchange of proprietary data while ensuring its confidentiality and integrity.

Results and Discussions

Priority Sector lending

Priority Sector Lending' came through the idea of 'Direct Lending' by the banks to few needy and in adequately serviced sectors. RBI the central bank of India and also the Indian banks believed lending to the specific sectors and regulating the core sectors can bring about balanced growth, stability in the economy. Priority Sector includes the sectors of national importance, once they were not considered or neglected by the banks for the purpose of accessibility of credit are now considered to be as priority to provide credit as they are the corner stones for the country's true development. At Present the scope of the priority sector is very wide with many categories, targets and sub targets.

Analysis of Ratio of Priority Sector Advances of PSBs: The aggregate advances to priority sector advances by PSBs provide with an idea regarding the extent of their commitment to the Sector.

Table 1: Ratio of Priority Sector Advances to PSBs.

Year	PSBs
2010	41.6
2011	41.3
2012	37.2
2013	36.3
2014	39.4
2015	37.3
2016	39.3
2017	39.5
2018	39.9
2019	42.55
Average	39.44

***Source*:** Handbook of RBI Statistics

Table 1, shows the ratio of PSA by SCB for the period of 2010-19. All sector banks are meeting the norms of total priority that is 40 per cent. The ratio of PSBs was more in 2010-11 again in 2019. Only in 2013 it is very low but from 2014-18 the ratio is around 39 finally in 2019 it become 42.55 with an average 39.44. All the banks showed the least ratios in 2013 because of re-prioritizing the priority sector lending in India.

Analysis of Ratio of Priority Sector Advances to Total Advances by SCBs: The advances to priority sector as proportion of total advances is another measure indicating SCBs commitment to the sector.

Table 2: Ratio of Priority Sector Advances to Total Advances of PSBs.

Year	PSBs
2010	46.87
2011	44.52
2012	41.49
2013	41.49
2014	45.78
2015	40.68
2016	35.49
2017	35.79
2018	36.37
2019	38.91
Average	40.74

***Source*:** A Report on Trend and Progress of Banking in India.

Table 2 shows the ratio of PSA to Total Advances of SCBs for the period 2010-19. PSBs showed the highest ratio 46.87 among all the banks in 2010 than it reached tis least 35.49 in 2016 and finally reached to 38.49 with an average of 40.74, SD of 3.91.

Analysis of Ratio of Agriculture Advances to PSBs: The aggregate advances to Agriculture sector as a proportion by PSBs provide with an idea regarding the extent of their commitment to the Sector.

Table 3: Ratio of Agriculture Advances to PSBs.

Year	PSBs
2010	17.9
2011	16.5
2012	15.8
2013	15
2014	17
2015	16.5
2016	18.4
2017	18.3
2018	18
2019	18.12
Average	17.15

***Source*:** Report on Trend and Progress of Banking in India, RBI repots.

Table 3 shows the ratio of agriculture advances by SCBs for the period 0f 2010-19. The ratio which is prescribed by RBI is 18 per cent. The ratio was 17.9 in 2010, the ratio was decreasing for the period 2011-13 and the least was 15 in 2013 and the highest ratio was 18.4 in 2016 finally the ratio stood at 18.12 in 2019 with an average 17.15.

Analysis of Ratio of Micro, Small and Medium Enterprises Advances to PSBs: The aggregate advances to Micro, Small and Medium Enterprises advances as a proportion by PSBs provide with an idea regarding the extent of their commitment to the Sector.

Table 4: Ratio of Micro, Small and Medium Enterprises Advances to PSBs.

Year	PSBs
2010	13.3
2011	15.1
2012	13.1
2013	13.5
2014	14.5
2015	14.2
2016	14.9
2017	6.3
2018	6.4
2019	7.32
Average	11.86

***Source*:** Report on Trend and Progress of Banking in Indi, RBI repots.

Table 4 shows the ratio of Micro, Small and Medium Enterprises advances by SCBs for the period of 2010-19. PSBs ratio was 13.3 in 2010, showed its highest 15.1 in 2011 from 2010 to 2016 it is more than 7.5 per cent and reached its least 6.3 in 2017, finally it is 7.32 in 2019 with an average of 11.86.

Analysis of Ratio of Weaker Sections Advances to PSBs: The aggregate advances to Weaker Sections as a proportion by PSBs provide with an idea regarding the extent of their commitment to the Sector.

Table 5: Ratio of Weaker Sections Advances to PSBs

Year	PSBs
2010	10.2
2011	9.9
2012	9.5
2013	9.8
2014	10.56
2015	10.42
2016	11.4
2017	11.4
2018	11.5
2019	11.73
Average	10.64

***Source*:** Report on Trend and Progress of Banking in Indi, RBI repots.

Table 5 shows the ratio of weaker sections advances to ANBC by SCBs for the period 2010-19. RBI prescribed ratio for weaker section advances is 10 per cent of whichever is higher. PSBs ratio was 10.2 in 2010, the least ratio 9.5 was recorded in 2012 and the highest is 11.73 in 2019 with the average 10.64. The ratio is less than prescribed ratio for the period 2011-13, in the remaining years it is more than the 10 percent.

Opportunities

- **Internet Banking**: - It is clear that online finance will pick up and there will be increasing convergence interms of product offerings banking services, share trading, insurance, loans, based on the data warehousing and data mining technologies. Anytime anywhere banking will become common and will have to upscale, such up scaling could include banks launching separate internet banking services apart from traditional banking services.
- **Retail Lending:** - Recently banks have adopted customer segmentation which has helped in customizing their product folios well. Thus retail lending has become a focus area particularly in respect of financing ofconsumer durables, housing, automobiles etc., Retail lending has also helped in risks dispersal and in enhancing the earnings of banks with better recovery rates.
- **Rural area customers**: - Contributing to 70% of the total population in India is a largely untapped market for banking sector. In all urban areas banking services has entered but only few big villages have the banks entered. So the banks must reach in remaining all villages because majority of Indian still live in rural areas.
- **Offering various Channels**: - Banks can offer so many channels to access their banking and other services such as ATM, Local branches, Telephone/mobile banking, video banking etc to increase the banking business.
- **Good Customer Services:** - Good customer services are the best brand ambassador for any bank for growing its business. Every engagement with customer is an opportunity to develop a customer faith in the bank. While increasing competition customer services has become the backbone for judging the performance of banks.
- **Other Opportunities**: - There are many other opportunities in future in the field of Indian banking sector e.g. to enter new business and new markets, to develop new ways of working, to improve efficiency, to deliver high level of customer services.

Challenges

- **Customer Satisfaction / Loyalty**:-Today, customers are more value oriented in their services because they have alternative choices in it. Hence, each and every bank has to take care about fulfillment of customers' satisfaction.
- **To Provide several personnel services**:-The present times demanded that banks are to provide several services for which they have to expanse in service, social banking with financial possibilities, selective up gradation, computerization and innovative mechanization, better customer services, effective managerial culture, internal supervision and control, adequate profitability, strong organization culture etc. Therefore banks must be able to provide complete personal service to the customers who come with expectations.
- **Non-Performing Assets (N.P.A)**:-Non-performing assets are another challenge to the banking sector. Vehicle loans and unsecured loans increases N.P.A. which terms 50% of banks retail portfolio was also hit due to upward movement in interest rates, restrictions on collection practices and soaring real estate prices. Therefore, every bank has to take care about regular repayment of loans.
- **Competition**:-The nationalize banks and commercial banks have the competition from foreign and new private sector banks. Competition in banking sector brings various challenges before the banks such as product positioning, innovative ideas and channels, new market trends, cross selling etc. Banks are restricting their administrative folio by converting manpower into machine power i.e. banks are decreasing manual powers and getting maximum work done through machine power. Skilled and specialized man power is to be utilized and result oriented targeted staff will be appointed.
- **Managing Technology**:-Developing or acquiring the right technology, deploying it optimally and then leveraging it to the maximum extent is essential to achieve and maintain high service and efficiency standards while remaining cost effective and delivering sustainable return to shareholders. Early adopters' of technology acquire significant competitive advances Managing technology is therefore, a key challenge for the Indian banking sector.
- **Deteriorating Asset Quality of PSU banks**: - The major issue for PSU banks is deteriorating asset quality as reflected in burgeoning NPA and restructured advances. Also, employee expenses, one of the key cost elements, has been going updue to periodic wage negotiations and increasing retirement benefits. Top management continuity has been another key challenge as most of the chairmen and executive directors retire less than 2-3 years into the role. Competitive intensity from private banks has increased even more as they aretrying to grow in the semi-urban and rural areas, a home turf for PSU banks till recently. PSU Banks fee income is poorer than private banks and also is largely linked to balance sheet (loans andguarantee related) whereas private banks have a stronger fee income

business coming fromdiversified sources. (BNPP IP report).

- **Government Ownership**: At present, the Government is the owner of about three-fourths of the total assets in the banking system. On the ownership issues, proponents of private sector banks advocate that Government should reduce its ownership stake in the public sector banks as private sector banks score overpublic sector banks in profitability and efficiency. However, broadly over the years, the performance of public sector banks has converged with that of new private sector banks and foreign banks. On one hand, the predominance of government owned banks in India has contributed to financial stability, on the other, meeting their growing capital needs casts a very heavy burden on the Government. What is, therefore, needed is an optimal ownership mix to promote a balance between efficiency, equity and financial stability (RBI Paper).
- **Gaps in the Flow of Credit**: A high proportion of socially and economically underprivileged sections of society in India is concentrated in the informal economic activities since more than 60 per cent of India's population lives in rural areas. This sector holds importance due to growing inter linkages between informal and formal economic activities. Available data indicate that the cooperatives, commercial banks, and other formal financial sector programs in rural areas have not displaced informal sources of credit altogether as 43 per cent of rural households continue to rely on informal finance in 2002, when thelast All India Debt and Investment Survey was undertaken. (RBI Discussion paper 2013).

Conclusions

Public Sector Banks are the main pillars for the successful lending to priority sectors in India, the active participation by PSBs in meeting the targets of priority lending can increase the economy of India and also these banks are the motivating factor for all the banks in order to reach the targets of priority as well as the national interest of lending. PSBs are actively meeting RBI norms including agriculture, Micro, Small and Medium Enterprises and weaker sections. The Banking sector is now witnessing a new waave of evolution with innovations in the fintech space, espically with the proliferation of prepaid wallets. Finally the banking sector will need to master a new business model by building management and customer services. Banks should contribute intensive efforts to render better services to their customer. Nationalized and commercial banks should follow the Recent trends and to get advantage of opportunities in changing banking scenario. Thus, there is a paradigm shift from the seller's market to buyer's market in the industry and finally it affected at the bankers level to change their approach from "conventional banking to convenience banking" and "mass banking to class banking".

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