International Journal of Multidisciplinary Allied Research Review and Practices

IJMARRP ISSN No: 2455-1570 (Volume 2, Issue XI, November 2016)

CHANGES IN WORK CULTURE & NEW TRENDS IN INDIAN BANKING SECTOR

Mr. Tanmay Jagannath Sinnarkar, Research Scholar

Dr. Pramod Gupta

Department of Management, SunRise University, Alwar (Raj.)

Abstract:

The Indian banking sector is fragmented, with 46 commercial banks jostling for business with dozens of foreign banks as well as rural and co-operative lenders. State banks control 80 percent of the market, leaving relatively small shares for private rivals.

At the end of February, 2016 14.7 crore accounts had been opened under Pradhanmantri Jan Dhan Yojna (PMJDY) and 12.2 crore RuPay debit cards were issued. These new accounts have mobilised deposits of Rs 12,694 crore (US$ 2.01 billion).

Standard & Poor's estimates that credit growth in India's banking sector would improve to 12-13 per cent in FY16 from less than 10% in the second half of FY14.

Key-Words: *RBI, SBI, PMJDY, CAGR.*

Introduction:

As per the Reserve Bank of India (RBI), India's banking sector is sufficiently capitalised and well-regulated. The financial and economic conditions in the country are far superior to any other country in the world. Credit, market and liquidity risk studies suggest that Indian banks are generally resilient and have withstood the global downturn well.

Indian banking industry is expected to witness better growth prospects in 2015 as a sense of optimism stems from the Government's measures towards revitalizing the industrial growth in the country. In addition, RBI's new measures may go a long way in helping the restructuring of the domestic banking industry.

Market Size

The Indian banking system consists of 26 public sector banks, 25 private sector banks, 43 foreign banks, 56 regional rural banks, 1,589 urban cooperative banks and 93,550 rural cooperative banks, in addition to cooperative credit institutions. Public-sector banks control nearly 80 percent of the market, thereby leaving comparatively much smaller shares for its private peers. Banks are also encouraging their customers to manage their finances using mobile phones.

Standard & Poor's estimates that credit growth in India's banking sector would improve to 11-13 per cent in FY17 from less than 10 per cent in the second half of CY14.

Investments/developments

Key investments and developments in India's banking industry include:

- RBL Bank Limited, an Indian private sector bank, has raised Rs 330 crore (US$ 49.6 million) from a UK-based development finance institution CDC Group Plc, which will help RBL to strengthen the capital base to meet future requirements.
- The State Bank of India (SBI) signed an agreement with The World Bank for a Rs 4,200 crore (US$ 625 million) credit facility, aimed at financing grid connected rooftop solar photovoltaic (GRPV) projects in India.
- JP Morgan Chase, the largest bank in United States by assets, plans to expand its operations in India by opening three new branches in Delhi, Bangalore and Chennai in addition to its existing branch in Mumbai.
- Canada Pension Plan Investment Board (CPPIB), an investment management company, has bought a large stake in Kotak Mahindra Bank Ltd from Japan-based Sumitomo Mitsui Banking Corporation.
- India's first small finance bank called the Capital Small Finance Bank has started its operations by launching 10 branch offices in Punjab, and aims to increase the number of branches to 29 in the current FY 2016-17.

- FreeCharge, the wallet company owned by online retailer Snapdeal, has partnered with Yes Bank and MasterCard to launch FreeCharge Go, a virtual card that allows users to pay for goods and services at online shops and offline retailers.
- Exim Bank of India and the Government of Andhra Pradesh has signed a Memorandum of Understanding (MoU) to promote exports in the state.
- Kotak Mahindra Bank Limited has bought 19.9 per cent stake in Airtel M Commerce Services Limited (AMSL) for Rs 98.38 crore (US$ 14.43 million) to set up a payments bank. AMSL provides semi-closed prepaid instrument and offers services under the 'Airtel Money' brand name.
- Ujjivan Financial Services Ltd, a microfinance services company, has raised Rs 312.4 crore (US$ 45.84 million) in a private placement from 33 domestic investors including mutual funds, insurance firms, family offices and High Net Worth Individuals (HNIs)).
- India's largest public sector bank, State Bank of India (SBI), has opened its first branch dedicated to serving start-up companies, in Bengaluru.
- Global rating agency Moody's has upgraded its outlook for the Indian banking system to stable from negative based on its assessment of five drivers including improvement in operating environment and stable asset risk and capital scenario.
- Lok Capital, a private equity investor backed by US-based non-profit organisation Rockefeller Foundation, plans to invest up to US$ 15 million in two proposed small finance banks in India over the next one year.
- The Reserve Bank of India (RBI) has granted in-principle licences to 10 applicants to open small finance banks, which will help expanding access to financial services in rural and semi-urban areas.
- IDFC Bank has become the latest new bank to start operations with 23 branches, including 15 branches in rural areas of Madhya Pradesh.
- The RBI has given in-principle approval to 11 applicants to establish payment banks. These banks can accept deposits and remittances, but are not allowed to extend any loans.
- The Bank of Tokyo-Mitsubishi (BTMU), a Japanese financial services group, aims to double its branch count in India to 10 over the next three years and also target a 10 per cent credit growth during FY16.

- The RBI has allowed third-party white label automated teller machines (ATM) to accept international cards, including international prepaid cards, and said white label ATMs can now tie up with any commercial bank for cash supply.
- The RBI has allowed Indian alternative investment funds (AIFs), to invest abroad, in order to increase the investment opportunities for these funds.
- Bandhan Financial Services raised Rs 1,600 crore (US$ 234.8 million) from two international institutional investors to help convert its microfinance business into a full service bank. Bandhan, one of the two entities to get a banking licence along with IDFC, launched its banking operations in August 2015.

Government Initiatives

The government and the regulator have undertaken several measures to strengthen the Indian banking sector.

- In July 2016, the government allocated Rs 22,915 crore (US$ 3.41 billion) as capital infusion in 13 public sector banks, which is expected to improve their liquidity and lending operations, and shore up economic growth in the country.
- The Reserve Bank of India (RBI) has released the Vision 2018 document, aimed at encouraging greater use of electronic payments by all sections of society by bringing down paper-based transactions, increasing the usage of digital channels, and boosting the customer base for mobile banking.
- The Reserve Bank of India (RBI) has issued guidelines for priority sector lending certificates (PSLCs), according to which banks can issue four different kinds of PSLCs— those for the shortfall in agriculture lending, lending to small and marginal farmers, lending to micro enterprises and for overall lending targets – to meet their priority sector lending targets.
- The Reserve Bank of India (RBI) has allowed additional reserves to be part of tier-1 or core capital of banks, such as revaluation reserves linked to property holdings, foreign currency translation reserves and deferred tax assets, which is expected to shore up the

capital of state-run banks and privately owned banks by up to Rs 35,000 crore (US$ 5.14 billion) and Rs 5,000 crore (US$ 734 million) respectively.

- Scheduled commercial banks can grant non-fund based facilities including partial credit enhancement (PEC), to those customers, who do not avail any fund based facility from any bank in India.
- To reduce the burden of loan repayment on farmers, a provision of Rs 15,000 crore (US$ 2.2 billion) has been made in the Union Budget 2016-17 towards interest subvention.
- Under Pradhan Mantri Jan Dhan Yojna (PMJDY), 250.5 million accounts! have been opened and 192.2 million RuPay debit cards have been issued as of October 12, 2016. These new accounts have mustered deposits worth almost Rs 44,480 crore (US$ 6.67 billion).
- The Government of India is looking to set up a special fund, as a part of National Investment and Infrastructure Fund (NIIF), to deal with stressed assets of banks. The special fund will potentially take over assets which are viable but don't have additional fresh equity from promoters coming in to complete the project.
- The Reserve Bank of India (RBI) plans to soon come out with guidelines, such as common risk-based know-your-customer (KYC) norms, to reinforce protection for consumers, especially since a large number of Indians have now been financially included post the government's massive drive to open a bank account for each household.
- To provide relief to the state electricity distribution companies, Government of India has proposed to their lenders that 75 per cent of their loans be converted to state government bonds in two phases by March 2017. This will help several banks, especially public sector banks, to offload credit to state electricity distribution companies from their loan book, thereby improving their asset quality.
- Government of India aims to extend insurance, pension and credit facilities to those excluded from these benefits under the PradhanMantri Jan DhanYojana (PMJDY).
- To facilitate an easy access to finance by Micro and Small Enterprises (MSEs), the Government/RBI has launched Credit Guarantee Fund Scheme to provide guarantee cover for collateral free credit facilities extended to MSEs upto Rs 1 Crore (US$ 0.15 million). Moreover, Micro Units Development & Refinance Agency (MUDRA) Ltd. was

also established to refinance all Micro-finance Institutions (MFIs), which are in the business of lending to micro / small business entities engaged in manufacturing, trading and services activities up to Rs 10 lakh (US$ 0.015 million).

Road Ahead

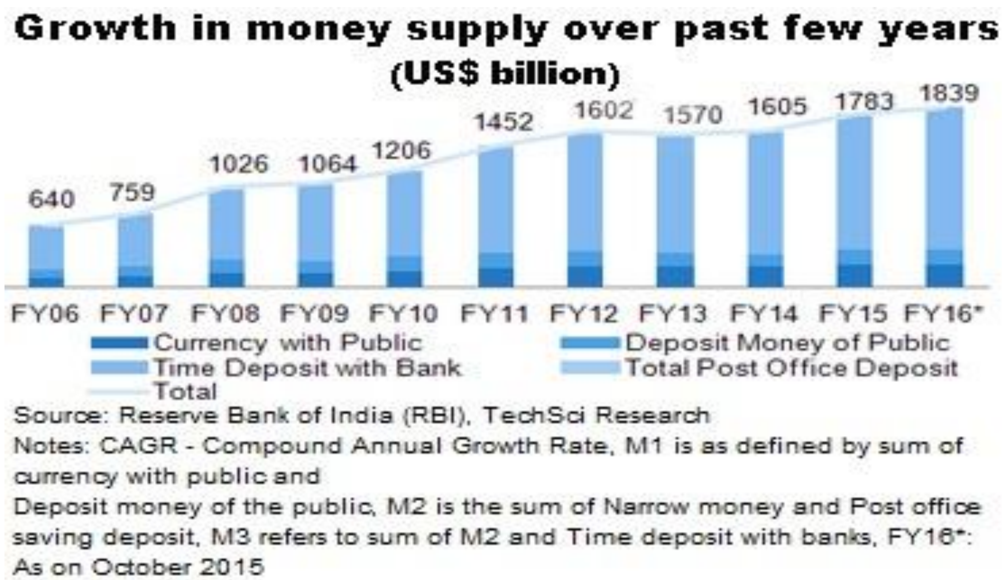
The Indian economy is on the brink of a major transformation, with several policy initiatives set to be implemented shortly. Positive business sentiments, improved consumer confidence and more controlled inflation are likely to prop-up the country's the economic growth. Enhanced spending on infrastructure, speedy implementation of projects and continuation of reforms are expected to provide further impetus to growth. All these factors suggest that India's banking sector is also poised for robust growth as the rapidly growing business would turn to banks for their credit needs.

Also, the advancements in technology have brought the mobile and internet banking services to the fore. The banking sector is laying greater emphasis on providing improved services to their clients and also upgrading their technology infrastructure, in order to enhance the customer's overall experience as well as give banks a competitive edge.

Many banks, including HDFC, ICICI and AXIS are exploring the option to launch contact-less credit and debit cards in the market shortly. The cards, which use near field communication (NFC) mechanism, will allow customers to transact without having to insert or swipe.

Deposit growth has been steady:

- Total money supply increased at a CAGR of 11.14 per cent during FY06–16*
- Between FY06–16*, narrow money supply (M1) rose at a CAGR of 7.69 per cent to US$ 392.8 billion, broad money supply (M2) increased at a CAGR of 6.49 per cent to US$ 395.3 billion and money supply (M3) grew at a CAGR of 11.14 per cent to US$ 1.8 trillion by the end of October'15
- Time deposits with banks have shown highest average growth of 12.9 per cent during FY06–16*, and stood at US$ 1.44 trillion by the end of October'15



The Indian banking system consists of 26 public sector banks, 20 private sector banks, 43 foreign banks, 56 regional rural banks, 1,589 urban cooperative banks and 93,550 rural cooperative banks, in addition to cooperative credit institutions. The Indian banking sector's assets reached US$ 1.8 trillion in FY14 from US$ 1.3 trillion in FY10, with 70 per cent of it being accounted by the public sector.

Total lending and deposits increased at a compound annual growth rate (CAGR) of 20.7 per cent and 19.7 per cent, respectively, during FY07-14 and are further poised for growth, backed by demand for housing and personal finance. Total asset size of banking sector assets is expected to increase to US$ 28.5 trillion by FY25. Deposits have grown at a CAGR of 13.6 per cent during FY05–15 to an estimated US$ 1.48 trillion in FY15. Deposit growth has been mainly driven by strong growth in savings amid rising disposable income levels.

Indian banks are increasingly focusing on adopting integrated approach to risk management. Banks have already embraced the international banking supervision accord of Basel II. According to RBI, majority of the banks already meet capital requirements of Basel III, which has a deadline of March 31, 2019. Most of the banks have put in place the framework for asset-liability match, credit and derivatives risk management.

Rising incomes are expected to enhance the need for banking services in rural areas and therefore drive the growth of the sector; programmes like MNREGA have helped in increasing rural income aided by the recent Jan Dhan Yojana. The Reserve Bank of India (RBI) has relaxed its branch licensing policy, thereby allowing banks (which meet certain financial parameters) to set-up new branches in tier-2 to tier-6 centers, without prior approval from RBI. It has emphasised the need to focus on spreading the reach of banking services to the un-banked population of India.

Need for Research:

i) A major challenge in banking is attracting customers and retaining them. Customer retention favorably affects profitability. According to a study by Reichheld and Sasser, a five percent increase in customer retention can increase profitability by 35 percent in banking business. Retention is more difficult in competitive environments. The former Finance Minister, Mr. Pranab Mukherjee pointed out that in view of the enhanced competition amongst banks, it is customer satisfaction that becomes the “sole differentiating factor” and this has to be leveraged to stay relevant and forge ahead in the business.

ii) A large number of research papers have identified customer satisfaction as an indispensable and essential action for customer loyalty, retention, behavioral intention, market share and profitability. A satisfied customer is expected to be more likely to form future purchase intention, engage in positive word of mouth advertising and be more tolerant of price increase. Measuring customer satisfaction has great

iii) Potential to provide the bank managers with information about their actual performance and the expectations of their customers. The availability of such information allows these managers to fine-tune their efforts in a manner that improves the quality of their services or delivers the services that appear attractive to customers. With that view in mind, this research attempts to measure the overall customer satisfaction in banking services in Delhi and NCR.

Main Objective of the Research Work:

The specific objectives of this study are:

1. To study the satisfaction level of clients/customers of the banks.
2. To gauge the work culture of the employees of the banks.
3. To delineate the satisfaction level of the employees of the banks.
4. To study the effects of work culture on employee satisfaction in the banks.
5. To study the relationship of employee satisfaction and client satisfaction in banks.

Factors promoting growth of Banking and Financial Services

The Banking Laws (Amendment) Bill that was passed by the Parliament in 2012 allowed the Reserve Bank of India (RBI) to make final guidelines on issuing new bank licenses. Moreover, the role of the Indian Government in expanding the banking sector is noteworthy. It is expected that the new guidelines issued by RBI will curb practices of impish borrowers and streamline the loan system in the country. In the coming time, India could see a rise in the number of banks in the country, a shift in the style of operation, which could also evolve by incorporating modern technology in the industry.

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.

According to a report by Zinnov, a Globalization and Market Expansion firm, 'IT adoption in BSFI sector in India', the Information Technology Industry spend in BFSI vertical is expected to reach USD 3.5 billion by Financial Year 2014. The study also highlighted 'the growing maturity of Indian BFSI organizations in IT adoption, as technology is seen as a driver of business value. Technology firms have great potential to explore in the BFSI sector, which contributes to eight per cent of India's Gross Domestic Product.'

Life Insurance

The Indian life insurance industry is estimated to grow at a compounded annual growth rate (CAGR) of 14.1 per cent, and reach US$ 111.9 billion in 2015 from US$ 66.5 billion in 2011, according to a report by BRIC data. This would make India the third-largest market for life insurance in the world by 2015. India's present position is at number 12, among top global markets for life insurance. Number of policies sold is expected to increase to 85.21 million in 2015 from 53.23 million in 2010. The 2014-15 Union Budget should exempt life insurance products from taxation to provide investors an incentive to buy a policy. The insurance industry can gain leverage from India's burgeoning population only by providing a special tax window for life insurance policies.

Health Insurance

In the non-life insurance industry, health insurance is the second largest segment in India; with players in both the public and private sectors playing an active role. The industry is concentrated around 4 major public sector companies namely, New India Assurance, United India Insurance, National Insurance and Oriental Insurance.

The Indian health insurance industry has seen major growth in the past 6 years. The Indian health insurance industry is expected to grow at a CAGR of 37.2% from FY'2011 - FY'2016; with surging medical costs, rising population and increased awareness among consumers in the country.

Recruitment Trends in BSFI Industry

The Banking and Financial Services Industry is expected to recruit about 8.4 million people as per the growth rate each year. BSFI workforce requirement between 2008 and 2022 is expected to be about 4.2 million and sector may create up to 20 lakh new jobs in the next 5-10 years.

Advantaged by issuance of new licences and efforts being made by the RBI and the Government to expand financial services into rural areas, the hiring trend may further get a boost from the public sector banks. Since most banking workforce is scheduled to retire in the times to come, they would be in dire need of fresh talent. According Randstad India, global HR service provider in India, the banking sector will generate 7-10 lakh jobs in the coming decade and the sector would be the among top job creators in 2016.

According to 'Human Resource and Skill Requirements in the Banking, Financial Services & Insurance Sector (2022) report, apart from the on-rolls employment there is significant contractual employment across all the above segments through various financial positions such as Direct Selling Agents (DSA's), Insurance agents, Mutual Fund Advisors, etc.

Challenges in BFSI

The major challenge faced by the Indian Banking and Financial sector is that the level of financial exclusion in India is alarming and there is an urgent need to find a plausible solution to the same. The IBA–BCG survey of banks revealed that the level of confidence in finding profitable solutions for financial inclusion is not very high. Financial inclusion has solely been the responsibility of public banks up until now, but by using inclusive growth as one of the criteria for new licences (new banks have to open 25 per cent of their branches in rural areas); the RBI will have made the new private sector banks responsible as well. Currently, public sector banks have more branches than any other bank group in the rural and semi-urban areas.

The banking and insurance industry is challenged by competitive pressures, changes in customer loyalty, stringent regulatory environment and entry of new players, all of which are pressuring the organizations to adopt new business models, streamline operations and improve processes.

BIBLIOGRAPHY

1. Jain, Sharma, Jain, International Journal of Sciences & technology, Job Satisfaction in banking : *A study of private and public sector banks,* Vol 2, pp 15.

2. Colgate, M. 1997 "*Personal bankers and relationships marketing : A new Zealnd Case study"* Journal of Financial services marketing, **2910**, 84-96, 1997.

3. Lowenstein MW., *"The customer Loyalty Pyramid",* Westport CT : Quorum Books, xiii, 1997

4. Government of India, *Customer services in banks.* Final Report by Working Group (R.K. Talwar committee) on *Customer Services in Bank.* Appointed by Government of India, 1976. cited from Bahi Shweta 1999. In *Services of Nationalized Banks and Customer Satisfaction,* Master's Thesis, Unpublished. Delhi: University of Delhi.

5. Arora, Singh, A *comparative study of banking service and customer satisfaction in public, private and foreign banks J Economics, 2(1): 45-56, 2011.*

6. Fitzgerald, L., Johnston, R., Brignall, S., Silvestro, R., Voss, C. *Performance Measurement in service Businesses, The Chartered Institute of Management Accountants,* Cambridge, 1994.

7. Locke, E.A., "*The nature and causes of job satisfaction",* in: Dunnette, ML, ed., Handbook of Industrial and Organisational Psychology, Chicago, II, Rand McNally, 1976.

8. Berry, L.L. and Parasuraman, A. (1991), Marketing Services: Competing through Quality, Free Press, New York, NY.

9. Bloemer,J.,Ruyter,k.D.,Peeters,P.,(1998), Investigating drivers of bank loyalty: the complex relationship between image, service quality and satisfaction ,International Journal of Bank marketing,Vol.16,No.7,pp. 276 286

10. Bolton, R.N. (1998) A dynamic model of the duration of the customer's relationship with a continuous service provider: the role of satisfaction. Marketing Science, 17, 45–65.

11. Bose, R. (2002), 'Customer relationship management key components for IT success', industrial management & data systems, vol. 102 no. 2, p-89

12. Boulaire C. et Mathieu, A., 2000. La fidélité à un site web: proposition d'un cadre Conceptuel préliminaire,*Actes du 16ème congrès international de l'AFM,* Montréal

13. Bromley, D. B. (1990). Academic contributions to psychological counseling: I. A philosophy of science for the study of individual cases. *Counseling Psychology Quarterly, 3*(3), pp. 299-307.

14. Burns, AC & Bush, RF 2002, *Marketing research: Online research applications (4th ed),* Prentice Hall, New Jersey.

15. BusinessDirectory.com. (2008, June 3).

16. Buttle, F (2004), *Customer Relationship Management: Concepts and Tools*. Sydney, Elsevier. 17. Buttle, F. (1996), 'Relationship marketing', in But tle, F. (Ed), relationship marketing: theory and practice, Paul chapman publishing, London, pp. 1-16