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Structural Changes and Challenges Faced by the Indian Banking System in 21st Century

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ABSTRACT

Banking Industry plays a significant role in the growth of economy in any country. The journey of Indian Banking Industry has faced many ups and downs at the time of economic crises. In last three years India's average economic growth rate is nine percent and targeted to increase to ten percent within next five years. From the time of 18th Century to the reform period, the banking industry play a vital role like, Nationalization to Privatization and increase in Foreign banking sectors. Banking industry in India has also achieved a new height with the changing times. The use of technology has brought a revolution in the working style of the banks. Nevertheless, the fundamental aspects of banking i.e. trust and the confidence of the people on the institution remain the same. In this paper an attempt has been made to identify the Structural Changes, challenges and opportunities for the Indian Banking Industry. The article is divided in two parts. Initial part includes the introduction, historical background, structure and present scenario of Banking Industry and the concluding phase focuses on the challenges of banking industry in 21st Century and various challenges which are likely to be faced by Indian banking industry.

Introduction

Over the past two decades, the nature of the relationship between the structure of the market in which bank and operate and their performance has been examined in a considerable number.

In the early 90's, many deficiencies were established in the Indian Economy, particularly in the Banking sector. With the various examinations it was proved that the deficiencies found in productivity, efficiency of the system have suffered and profitability has been wrinkled (smooth) and the banking sector became weak financially. So keeping all deficiencies in mind Reserve Bank of India (RBI) thought it necessary to introduce reforms in the financial and banking sector.

The rapid economic growth and development can be promoted through the process of Globalization, Liberalization and Privatization (LPG) in the financial system and it was initiated to ensure that it becomes more competitive and gets integrated with the world economy through internationalizations of financial markets in the world. One could regard the past of Banking Industry as medieval age and the present one as the modern era which is an independent information silo, Multi-channel Banking (ATMs, Net banking, Tele-banking, etc.) which was almost non-existent earlier.

In recent time, it has been observed that the world economy is passing through some complicated circumstances due to bankruptcy in the financial institutions. The scenario has become very uncertain due to recession in the economy of US and Europe. This poses some serious questions about the survival, growth and maintaining the sustainable development. However, over the past decade in this scenario the growth and development in the Indian banking industry have been remarkable.

Banking industry has traditionally been one of the most regulated ones in India. Several reforms have been initiated in this sector ranging from liberalization in the interest rate to restructuring of the public sector banks to increase and accept the challenges.

In tune with this, the banking sector in India has to undergo structural changes. While previously there were mostly Public Sector Banks (PSBs) providing Vanilla- type plain services, today the sector is booming with private banks, foreign Banks and PSBs fighting it out in the streets with innovative approaches and services. To complete the competitive scenario, almost all global investment banks, hedge funds and private equity firms have been reaching out to corporate customers for investment funding.

This research, intends to investigate the structural changes of the Indian Banking Sector and the challenges of the Banking Industry in 21st Century.

Review of Literature

Abdullah M. Al-Obaidan (2008) suggested that concentration need not be considered a reflection of the collusive behavior of banks but a consequence of the superior efficiency of bank firms. The result suggest that some banks are more efficient than others, and as a result, earn higher profits and consequently gain a higher market share, a phenomenon that produces higher concentration.

Arora (2003) highlighted the structural changes in Banking Sector. Technology plays a vital role in facilitating transactions in the banking sector and the impact of technology implementation has resulted in the introduction of new products and services by various banks in India.

Bhattacharya (1997) has found PSBs with the highest efficiency among the three categories of bank groups as foreign and private sector banks. However PSBs started showing a decline in efficiency after 1987, private banks witnessed no change and foreign banks disclosed sharp rise in efficiency.

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Garg (1994) concluded that Indian scheduled commercial banks have achieved remarkable progress in last two decades under study, particularly in branch expansion in rural areas, deposits mobilization and credit deployment to priority sector and small borrowers.

Goyal (2012) observed that clouds of consternation and drops of growth are two important phenomena of market, which frequently change in different sets of conditions. The pre and post liberalization era has witnessed various environmental changes which directly affect the aforesaid phenomena. He also discussed various challenges and opportunities of Indian Banking Industry. Banks are striving to combat the competition.

Mohan (2003) gave the suggestion regarding the transformation in Indian Banking that if Indian Banks are to compete globally, the time is opportune for them to institute sound and robust risk management practices.

Popli (2011) focused on the changes and shifts expected in the Indian Banking Industry, the opportunities and challenges ahead and the role of technological innovation which could be the change agent in the coming years. It makes a modest attempt to provide a brief overview of the major developments in the field of banking.

Ram (2002) observed that business is being completely reinvented because transaction costs are much lower on the Internet than in traditional channels. The banks are rapidly shifting their business from cash to cashless.

Shrieves (1992) highlighted a positive association between changes in risk and capital. Research studies by large sample of banks and results reveal that regulation was partially effective during the period covered. Moreover, it was concluded that changes in bank capital over the period studied was risk-based .

Swamy (2001) analyzed that in many respects NPSBs are much better than PSBs, even they are better than foreign sector banks.

Sandhu (2003) concluded that the impact of IT and particularly e-delivery channels on the performance of Indian banking system. The study also describes that ATMs are the major e-delivery channels, which are used mostly in the metropolitan and urban cities. It concluded that those banks, which are using delivery channels, are providing better services than the other banks.

Uppal (2011) analyzed the performance of major banks in terms of productivity and profitability in the pre and post e-banking period. Under the regime of banking sector reforms, IT Act of 1999 gave new dimensions to the Indian banking sector. IT has created transformation in banking structure, business process and work culture. He also concluded that performance of all the banks under study is much better in post-e-banking period and further foreign banks are at the top position, whereas the performance of the public sector is comparatively very poor.

The review of literature on various aspects of Structural Changes and transformation of banks has revealed that transformation is taking place and structural change is playing vital role in bringing this transformation and it is need of the hour to manage this transformation in Banking Industry.

Objectives of the Study

With the study of various literatures, the following objectives are located.

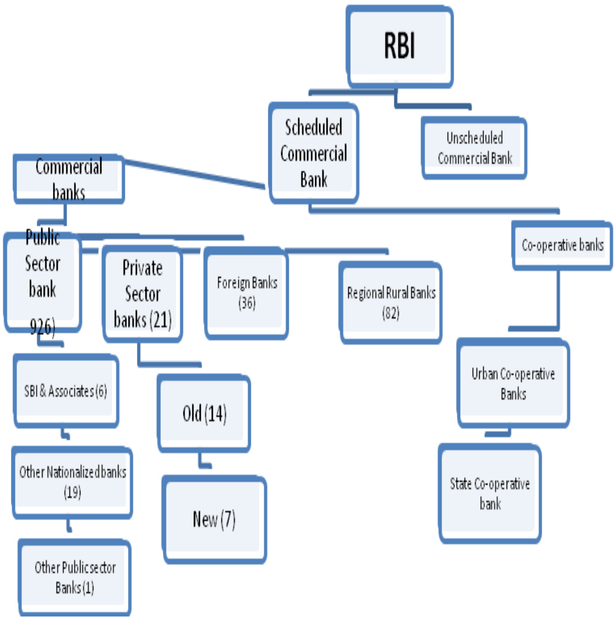
- To find out the structural changes in Indian Banking Sector.
- To find out the challenges in the Indian Banking Sector.
- To offer suggestions for the growth and development of Banking Sector in India.

To describe the objective, it is necessary to go through the historical background of the Indian Banking industry.

Historical Background

Bank of Hindustan was set up in 1870; it was the earliest Indian Bank. Later, three presidency banks under Presidency Bank's act 1876 i.e. Bank of Calcutta, Bank of Bombay and Bank of Madras were set up, which laid foundation for modern banking in India. In 1921, all presidency banks were amalgamated to form the Imperial Bank of India. Imperial bank carried out limited number of central banking functions prior to establishment of RBI. It engaged in all types of commercial banking business except dealing in foreign exchange. Reserve Bank of India Act was passed in 1934 and RBI was constituted as an apex body. This regulation brought RBI under government control and under the act, RBI got wide ranging powers for supervision and control of banks. The Act also vested licensing powers and the authority to conduct inspections in RBI. In 1955, RBI acquired the control of the Imperial Bank of India, which was renamed as State Bank of India. In 1959, SBI took over control of eight private banks floated in the erstwhile princely states, making them as its 100% subsidiaries. It was 1960, RBI was empowered to force compulsory merger of weak banks with the strong ones. It significantly reduced the total number of banks from 566 in 1951 to 85 in 1969. In July 1969, government nationalized 14 banks having deposits of Rs. 50 cores and above. In 1980, government acquired 6 more banks with deposits of more than Rs.200 cores. Nationalization of banks was to make them play the role of catalytic agents for economic growth. In order to understand the challenges and opportunities of Indian Banking Industry, first of all, we need to understand the general scenario and structure of Indian Banking Industry.

Structure of Indian Banking Industry

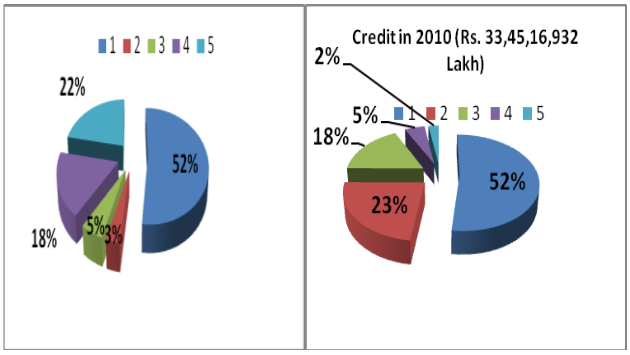


The banking system, largely, comprises of scheduled banks (banks that are listed under the Second Schedule of the RBI Act, 1934). Unscheduled banks form a very small component (function in the form of Local Area Bank). Scheduled banks are further classified into commercial and cooperative banks, with the basic difference in their holding pattern. Cooperative banks are cooperative credit institutions that are registered under the Cooperative Societies Act and work according to the cooperative principles of mutual assistance.

Major Players in the Indian Banking Industry

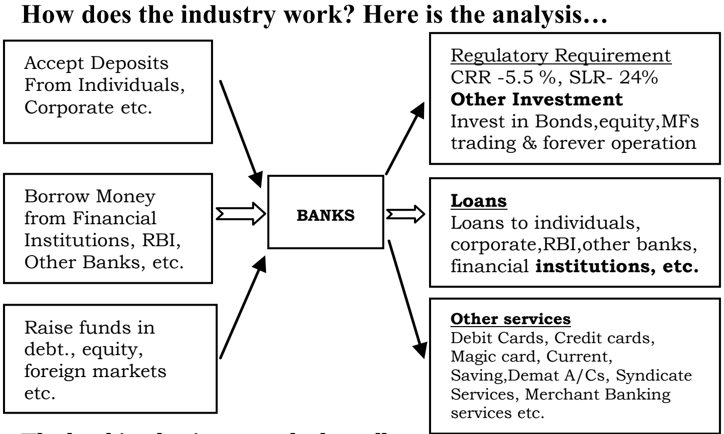
Types of Commercial Banks	Major Shareholders	Major Players
Public Sector Banks	Government of India	SBI, PNB, Canara Bank, Bank of Baroda, Bank of India, etc.
Private Sector Banks	Private Individuals	ICICI Bank, HDFC Bank, Axis Bank, Kotak Mahindra Bank, Yes Bank etc.
Foreign Banks	Foreign Entity	Standard Chartered Bank, Citi Bank, HSBC, Deutsche Bank, BNP Paribas, etc.
Regional Rural Banks	Central Govt., Concerned St. Govt. and Sponsor Banks in the ratio of 50:15:35	Andhra Pradesh,Grameena Vikas Bank, Uttranchal Gramin Bank, Prathama Bank, etc.

Public Sector Banks (**SBI** and associates + Nationalized banks) control more than 74-75% of the total credit and deposits businesses in India whereas Private Sector Banks around 17-18%.



Deposits in 2010 (Rs. 45,61,02,905 Lakhs)
Source: Decoding the Indian banking Industry- Discussing its Business Models. Stock Sastra- 2012

How does the industry work? Here is the analysis…



The banking business can be broadly categorized into Retail Banking, Wholesale or Corporate Banking, Treasury Operations and Other Banking Activities

Retail banking segment is the highest margin business as compared to other business segments in the banking industry. Currently, ICICI Bank is the largest players in this segment in India. Other major players in this segment are SBI, PNB, HDFC Bank, etc. Wholesale banking segment in India is largely dominated by large Indian banks – SBI, ICICI Banks, PNB, BOB, etc.

Business Segmentation	
Retail Banking	Loans to individuals (Housing loan, Auto loan, Education loan and other personal loan) or small businesses.
Wholesale Banking	Loans to mid and large corporate (Project Finance, Working capital Loans, Lease Finance, etc.)
Treasury Operations	Investment in bonds, equity, Mutual Funds, Commodities, Derivatives : Term Loans, Lease Finance, etc.)
Other Banking Activities	Hire Purchase activities, Leasing Business, merchant Banking, Syndication Services, etc.

Current Scenario of Indian Banking Industry:

The banking industry in India seems to be unaffected from the global financial crises which started from U.S in the last quarter of 2008. Despite the fallout and nationalization of banks across developed economies, banks in India seem to be on the strong fundamental base and seem to be well insulated from the financial turbulence emerging from the western economies. The Indian banking industry is well placed as compared to their banking industries western counterparts which are depending upon government bailout and stimulus packages.

The strong economic growth in the past, low defaulter ratio, absence of complex financial products, regular intervention by central bank, proactive adjustment of monetary policy and so called close banking culture have favored the banking industry in India in recent global financial turmoil.

Although there will be no impact on the Indian banking system similar to that in west but the banks in India will adopt for more defensive approach in credit disbursal in coming period. In order to safe guard their interest; banks will follow stringent norms for credit disbursal. There will be more focus on analyzing borrower financial health rather than capability.

The Economic Survey tabled by the government also notes that the banking system has become more transparent with the structural changes. The industry is currently in a transition phase. On the one hand, the PSBs, which are the foundation of the Indian Banking system, are in the process of shedding their flab in terms of excessive manpower, excessive non Performing Assets (NPAs) and excessive governmental equity, while on the other hand the private sector banks are consolidating themselves through mergers and acquisitions. PSBs, which currently account for more than 78 percent of total banking industry assets are loaded with NPAs (a mind-boggling Rs 830 billion in 2000), falling revenues from traditional sources, lack of modern technology and a massive workforce while the new private sector banks are forging ahead and rewriting the traditional banking business model by way of their sheer innovation and service. The PSBs are of course currently working out challenging strategies even as 20 percent of their massive employee strength has dwindled in the wake of the successful Voluntary Retirement Schemes (VRS) schemes. The private players however, cannot match the PSB"s great reach, great size and access to low cost deposits. Therefore one of the means for them to combat the PSBs has been through the merger and acquisition (M& A) route. Over the last two years, the industry has witnessed several such instances. For instance, HDFC

Bank's merger with Times Bank ICICI Bank's acquisition of ITC Classic, Anagram Finance and Bank of Madura. Centurion Bank, Indusind Bank, Bank of Punjab, Vysya Bank are said to be on the lookout. The UTI bank- Global Trust Bank merger however opened a Pandora's box and brought about the realization that all was not well in the functioning of many of the private sector banks. Private sector Banks have pioneered internet banking, phone banking, anywhere banking, mobile banking, debit cards, Automatic Teller Machines (ATMs) and combined various other services and integrated them into the mainstream banking arena, while the PSBs are still grappling with disgruntled employees in the aftermath of successful VRS schemes. Also, following India's commitment to the WTO agreement in respect of the services sector, foreign banks, including both new and the existing ones, have been permitted to open up to 12 branches a year with effect from 1998-99 as against the earlier stipulation of 8 branches. Talks of government diluting their equity from 51 percent to 33 percent in November 2000 have also opened up a new opportunity for the takeover of even the PSBs. The FDI rules being more rationalized in Q1FY02 may also pave the way for foreign banks taking the M& A route to acquire willing Indian partners. Meanwhile the economic and corporate sector slowdown has led to an increasing number of banks focusing on the retail segment. Many of them are also entering the new vistas of Insurance. Banks with their phenomenal reach and a regular interface with the retail investor are the best placed to enter into the insurance sector. Banks in India have been allowed to provide fee-based insurance services without risk participation invest in an insurance company for providing infrastructure and services support and set up of a separate joint venture insurance company with risk participation.

The present scenario of structural changes is a vast area. So emphasis in laid on the two different aspect, of the Banking Industry i.e. change occurred through the plastic money and cash to cashless. Some existing conclusion come up for discussion and analysis.

Structural changes of Banking in India

In the recent scenario, the use of plastic money is playing a vital role. During 2011-12, an additional 21,000 ATMs were deployed by the banks. The major issuance of ATMs are by the Public Sector banks which is more than 60 percent of the total number of ATMs issued as end of March 2012. In a contrast view it is marked that the issue of Credit Cards has been declined where as the issuance of Debit card has been increased but not in the case of Foreign Banks.

Table I: ATMs of Scheduled Commercial Banks (As at end- of March 2012)

Sl No.	Bank Group	On site-ATMs	Off- Site ATMs	Total No. of ATMs.
1	**Public Sector Banks**	**34,012**	**24,181**	**58,193**
1.1	Nationalized Banks	18,277	12,773	31,050
1.2	SBI Group	15,735	11,408	27,143
2	**Private Sector Banks**	**13,249**	**22,830**	**36,079**
2.1	Old Private Sector Banks	3,342	2,429	5,771
2.2	New Private Sector Banks	9,907	20,401	30,308
3	**Foreign Banks**	**284**	**1,130**	**1,414**
	All SCBs (1+2+3)	47,545	48,141	95,686

Source: report on trend and progress of banking in India 2011-12, RBI, Bulletin.

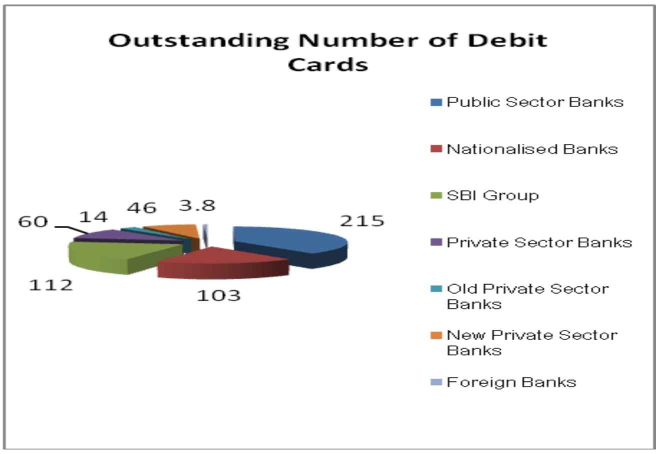
Public sector banks accounted for more than 60 per cent of the total number of ATMs as at end-March 2012, while close to one-third of the total ATMs were attributable to new private sector banks. (Table I).

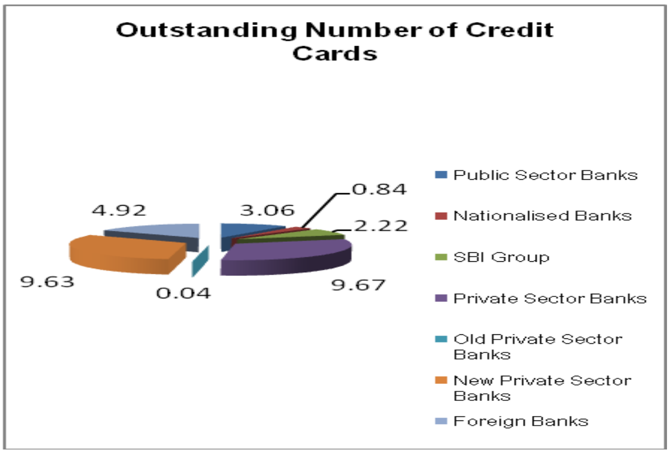
Public sector banks were major issuers of debit cards

Issuance of credit cards declined, while debit cards showed a high growth trend. Foreign banks, however, showed a small decline in the issuance of debit cards. More than three-fourths of the total debit cards outstanding as at the end of March 2012 were issued by public sector banks. In contrast, more than half of the outstanding credit cards as at the end of March 2012 were issued by new private sector banks. (Table II).

Table II. Credit and Debit cards issued by Scheduled Commercial Banks

Sl No.	Bank Group	Outstanding Number of Credit Cards		Outstanding Number of Debit Cards	
		2011	2012	2011	2012
1	**Public Sector Banks**	**3.08**	**3.06**	**170**	**215**
1.1	Nationalized Banks	0.78	0.84	80	103
1.2	SBI Group	2.30	2.22	90	112
2	**Private Sector Banks**	**9.32**	**9.67**	**53**	**60**
2.1	Old Private Sector Banks	0.04	0.04	12	14
2.2	New Private Sector Banks	9.28	9.63	41	46
3.	**Foreign Banks**	**5.64**	**4.92**	**3.9**	**3.8**





Source: Report on trends & Progress of Banking in India-2011-12, RBI Bulletin.

Both volume and value of transactions through major electronic payment systems registered an increase

A trend in favour of cashless payments is discernible in recent years in volume In India, cash continues to be the pre-dominant mode of payment. The policy initiatives and the regulatory stance of the Reserve Bank has continued to focus on increasing the acceptance and penetration of safe, secure and efficient non-cash payment modes comprising cheques, credit/debit cards, and transactions through ECS/RTGS/NEFT, over the years. Due to these measures the average ratio of non-cash retail payment to GDP continues to hover around 6 per cent over the last three years. (Table III).

Table III – Trends in Payment System.

Year	Non- cash retail payments	Non-cash retail payments to GDP ratio	Currency in circulation as a percentage of GDP
2006-07	1,94,459	4.53	11.77
2007-08	3,05,382	6.12	11.85
2008-09	3,29,736	5.91	12.38
2009-10	4,06,116	6.29	12.38
2010-11	4,76,291	6.21	12.36
2011-12	5,16,332	5.83	12.04

* Cheques, ECS, NEFT, Cards, RTGS Customer transactions.

Source: Various RBI publications and Database on Indian Economy (DBIE).

As a remittance product, RTGS / NEFT are becoming more popular. RTGS is a large value payment system which processes both customer and interbank transactions of Rs.1,00,000 and above, while the NEFT is essentially a retail payment system. Further, while RTGS is a real-time gross settlement arrangement, NEFT is a near-real time system with settlements taking place at hourly intervals. Both systems are operated by the Reserve Bank. The facility of RTGS and NEFT is available in over 70,000 branches with 119 members and 99 banks participating in the respective systems. The volume and value of transactions processed through the two systems have shown an impressive growth in the last two years: The advantages of popularizing the electronic transmission of funds are twofold. One is the enhanced speed with efficiency. The other is to ensure compliance with the bank's KYC policy. Funds coming through the banking channels have more authenticity. Going much beyond remittances, banks have begun to use the ICT systems to facilitate centralization of back office operations to ensure more efficiency in serving customers. (Table-IV)

Bank Group- Wise Number of Transactions in RTGS and NEFT

Table- IV (Numbers in Transaction in millions)

Bank Group	RTGS		NEFT	
	2008-09	2009-10	2008-09	2009-10
SBI Group	3.3	7.4	2.7	6.7
Nationalized Banks	3.5	9.0	2.2	7.7
Foreign Banks	2.2	5.3	12.4	21.6
Private Sector Banks	4.2	11.3	14.4	29.3
Others	0.1	0.3	0.03	0.2

Source: RBI, Bulletin, 2011-12.

Customer Service

Providing efficient and hassle-free banking services has been one of the important priorities pursued by the Reserve Bank. A separate Customer Services Department was set up within the Reserve Bank in July 2006 to oversee the grievance redressal mechanism of various banks as well as the Reserve Bank as also administering the Banking Ombudsman (BO) scheme. At present, the BO is functional across 15 major banking centers of the country.

The major metropolitan centers, *i.e.*, New Delhi, Mumbai, Kolkata, and Chennai accounted for almost 40 per cent of the total number of complaints received across the country.

Region-wise Complaint s received at Banking Ombudsman Offices (Table- V)

Table V- Region-wise Complains

Name	No. of Complaints		Percentage Variation
	2010-11	2011-12	
Ahmedabad	5,190	4,590	-11.6
Bangalore	3,470	3,486	0.5
Bhopal	5,210	5,953	14.3
Bhubaneswar	1,124	1,826	62.5
Chandigarh	3,559	3,521	-1.1
Chennai	7,668	6,614	-13.7
Guwahati	584	708	21.2
Hyderabad	5,012	5,167	3.1
Jaipur	3,512	4,209	19.8
Kanpur	8,319	9,633	15.8
Kolkata	5,192	4,838	-6.8
Mumbai	7,566	7,905	4.5
New Delhi	10,508	9,180	-12.6
Patna	2,283	2,718	19.1
Thiruvananthapuram	2,077	2,541	22.3
Total	71,274	72,889	2.3

Source: Various Regional Offices of Banking Ombudsman.

Challenges to Indian Banking:

The banking industry in India is undergoing a major change due to the advancement in Indian economy and continuous deregulation in the 21st Century. In view of accelerating economic growth, the main challenge for the banking sector in the coming years will be as follows.

Structural Changes in Organization

Integrated Architecture is the next century concept for the organizations. Among the capabilities that must, therefore, be part of the architecture of the new organizations:

- An organizational culture that facilitates innovation.
- A team and customer oriented organizational structure.
- Best in class processes at even point of the value chain.

Changing Design

The new generation banks have lobbies that provide a view to the street and induce the new clients to check the visual ambience. Designs seem to be evolving in a manner that is reflective of the institution’s personality, brand and its proper execution ensures that one cannot just walk across it without lifting an eye towards it. The change, however, has not only been in the interiors but the exterior façade is also being reconstructed to convey a “come hither” look. After all it is the exterior that draws the attention of the customers, therefore lots of input also is put into creating an externally comfortable ambience for the customer. Facades of modern banks are a clear pointer to this fact.

Up gradation in Technology

Technology has thrown new challenges in the banking sector and new issues have started cropping up which is going to pose certain problems in the very near future. The new entrants in the banking sector are skilled with the computer background. However, over a period of time they would acquire banking experience. Whereas, the middle and senior level people in banking have rich banking experience but their computer literacy is at a very low level. It’s a big challenge.

Focus on Customer Service

The liberalization of financial services and competition have improved the level of customer service up to some extent in the commercial banks in India. However, experience shows that the interest of the customer's at times is not necessarily accorded full protection and their grievances are not properly attended to. RBI has been issuing guidelines from time to time to facilitate bank's focus on service to the common man. The expansion of banking services and diversification of ownership has led to both enhanced efficiency and systematic resilience in the banking sector. Banks have been bestowed with several privileges, especially of seeking public deposits on a highly leveraged basis. It is, therefore, imperative that they provide banking services to all segments of the population on an equitable basis. With the RBI's initiative, the Indian Banks Association has prepared a model "Fair Practices Code" which is a public document enlisting point that a customer can expect from the concerned bank. The bank will have to concentrate more on customer service.

Greater Thrust on Credit Portfolio

One of the critical issues facing the Banking Sector in India is the flow of credit to all the productive sectors of the economy. Retail financial services, particularly housing and personal loans, continued to traverse a high growth trajectory, fuelled mainly by demographic shifts and rising household incomes. Credit demand by the corporate sector has also turned robust on the back of strong industrial performance. Furthermore, banks are expected to have greater financing opportunities in the area of project finance, especially in the infrastructure sector, given the conversion of two major financial institutions into banks. Rural Credit has also emerged as an important growth opportunity. Several new areas such as agri-clinics, contract farming and rural housing are fast becoming viable revenue propositions for banks. In order to enhance the flow of credit to these emerging areas, the Reserve Bank of India has been undertaking measures to remove the impediments on timely availability of credit through various means. The banks will have to concentrate on total financial inclusion of this sector in future.

Global Banking

It is practically and fundamentally impossible for any nation to exclude itself from world economy. Therefore, for sustainable development, one has to adopt integration process in the form of liberalization and globalization as India that has spread the red carpet for foreign firms in 1991. The impact of globalization poses challenges for the domestic enterprises as they are bound to compete with global players. If we look at the Indian Banking Industry, then we find that there are 36 foreign banks operating in India, which has created a major challenge for Nationalized and private sector banks. These foreign banks are large in size, technically advanced and having presence in global market, which give more and better options and services to Indian traders.

Financial Inclusion

Financial inclusion has become a necessity in today's business environment. Whatever is produced by business houses, that has to be under the check from various perspectives like environmental concerns, corporate governance, social and ethical issues. Apart from it , to bridge the gap between rich and poor, the poor people of the country should be given proper attention to improve their economic condition. Dev (2006) stated that financial inclusion is significant from the point of view of living conditions of poor people, farmers, rural non-farm enterprises and other vulnerable groups. Financial inclusion, in terms of access to credit from formal institutions to various social groups. Apart from formal banking institutions, which should look at inclusion both as a business opportunity and social responsibility, concluded that role of the self-help group movement and microfinance institutions is important to improve financial inclusion. The study suggested that this requires new regulatory procedures and de-politicization of the financial system.

Importance of Customer Relationship Management (CRM)

The banks in India will have to realize the importance of customer relationship management in today's business environment. Marketing is the process of building long term mutually beneficial relationship with the customers. At the best, CRM should address the following business goals:

- Increased customer acquisition, retention and greater loyalty.
- Expansion of profitable, long lasting customer relationship.
- Delivery of a consistent, relevant and high quality customer experience.
- Continuous learning about customers (both business and consumer) and communication of that knowledge across the organization.
- Delivery of the right products and services tailored to meet customer's needs.
- Improved cost management.

In future, the banks will have to focus more on CRM as a business strategy by considering a wide range of variables to have a business impact that affects a banking sector's revenue performances.

Conclusion

The pre and post liberalization era has witnessed various environmental changes. It is evident that post liberalization era has spread structural changes in the banking sector of India, but simultaneously it has also posed some challenges. Banks are striving to combat the competition. The competition from global banks and technological innovation has compelled the banks to rethink their policies and strategies. The banking sector, therefore, needs to equip itself to meet these challenges as well as those arising out of introduction of Basel III norms and international accounting standards.

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